



# Domino's Pizza Enterprises Limited

## First Half Results to 31 December 2006

AUSTRALIA NEW ZEALAND FRANCE BELGIUM NETHERLANDS

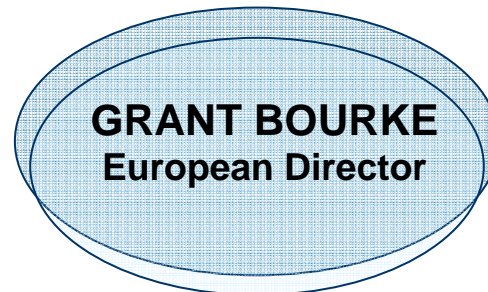
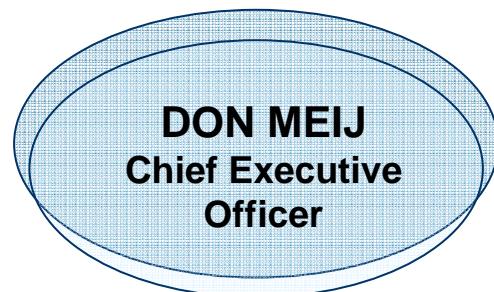


# AGENDA

1. Executive Summary
2. Network Store & Sales Growth
3. Revenue & EBITDA Results
  - Australia, New Zealand & Europe
  - Corporate
  - Franchise
  - Corporate Development & Unallocated
4. Financial Details
  - Profit & Loss
  - Cash Flow
  - Balance Sheet
5. Looking Forward – Major Activities
6. Europe
7. Conclusion



French Promotion H2





## EXECUTIVE SUMMARY

- Network sales +42.1% and revenue +36.4% largely off European acquisition
- Group SSS growth 3.2%
- EBITDA down 21.3% and NPAT 46.2% on H1 06 – reflecting first half impact as forecast for Europe. Aus poor first quarter performance per October announcement
- New Zealand continues to be strong performer
- Europe tracking well, financial performance and store counts ahead of plan
- Interim dividend to be unchanged at 4.1 cents, equivalent to 72.4% of the half year's NPAT
- Dividend Reinvestment Plan remains active and fully underwritten

	H1 05 *	H2 05 *	F/Y 05 *	H1 06	H2 06	F/Y 06	H1 07	+ / (-) H1 06
	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	%
<b>Network Sales</b>	148.6	157.5	306.1	176.6	182.8	359.4	251.0	42.1%
<b>Same Store Sales %</b>			4.0%	5.0%		4.3%	3.2%	
<b>Revenue</b>	61.9	71.5	133.4	86.6	86.3	172.9	118.1	36.4%
<b>EBITDA (pre share issue costs)</b>	8.7	9.1	17.8	12.2	12.5	24.7	9.6	-21.3%
<b>NPBT (pre share issue costs)</b>	5.1	5.4	10.5	8.4	8.8	17.2	4.7	-44.0%
<b>NPAT (pre share issue costs)</b>	3.6	3.6	7.2	6.5	6.5	13.0	3.5	-46.2%
<b>NPAT (post share issue costs)</b>	3.6	2.8	6.4	6.5	6.5	13.0	3.5	-46.2%

\* All 05 Actuals have been restated for the conversion to A-IFRS. 05 & 06 Revenue has been restated under A-IFRS to exclude items classified as "Other income"; 05 Share issue costs of \$1.2m before tax relate to payment of the executive incentive plan



## EXECUTIVE SUMMARY

### Store role out continues in all countries

- Stores added in H1 Aus/NZ 19, Europe 162 (incl 155 on acquisition)
- Europe added 7 stores in first half and conversions starting January 07

### DPE innovation to 31 December 06



- Mobile phone service represents 25% of total calls (up from 21% at June 06)
- Pulse in 378 stores in Aus/NZ (up from 301 at June 06)
- 274 stores internet enabled in Australia (up from 219 at June 06), NZ coming on line in second half
- Internet orders continue to grow from a modest level
- Successful promotions of Brownies and Chicken Kickers have resulted in them becoming permanent menu items



## EXECUTIVE SUMMARY

### Europe Update

- Second half to reflect early guidance (H1 60% H2 40% loss) due to seasonality, loss rate improving and non-recurring start up costs
- Non-recurring start up costs in H1 = \$600k

### New Guidance for Full Year 07

- Australia/New Zealand
  - SSS 0 to -1%
  - Will have 35 stores open for full yr (See slide 19 for further explanation)
- Europe
  - SSS consistent at 12%
  - Gain 40 stores
  - Expecting a marginal profit in 2007/08
- Combined Business Guidance
  - Forecasting H2 NPAT to be approx 40% up on H1
  - Net 75 stores system growth





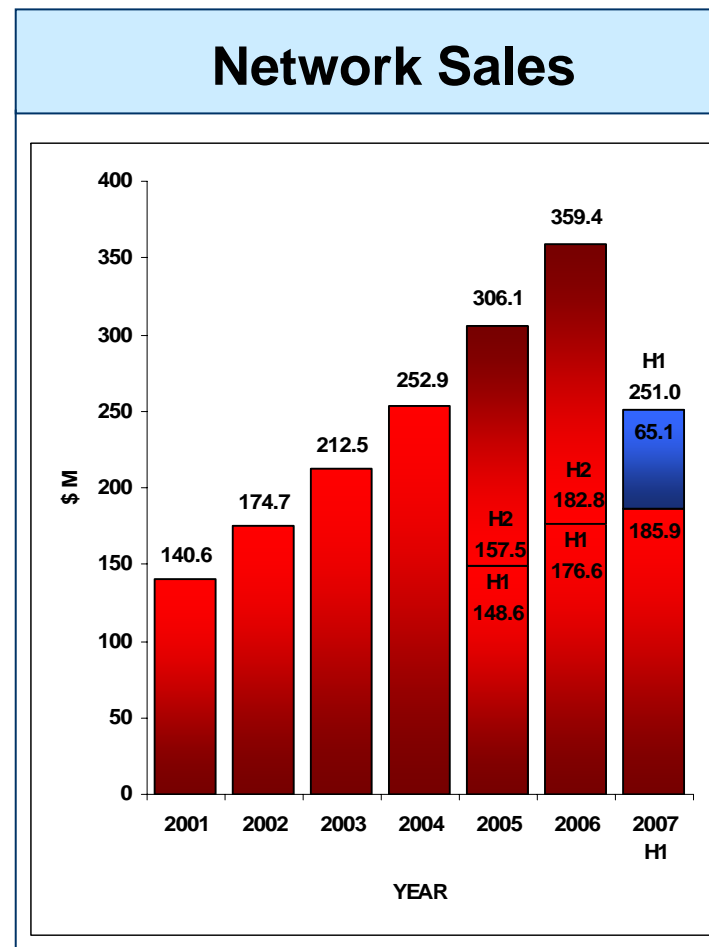
# NETWORK STORE & SALES GROWTH

- Store count as at 31 December 06

- Australia	- 395
- New Zealand	- 62
- France/Belgium	- 99
- Netherlands	- <u>63</u>
	<b><u>619</u></b>

- Store count projection June 07

- Australia/NZ	- 473
- Europe	- <u>195</u>
	<b><u>668</u></b>



Aus/NZ

Europe



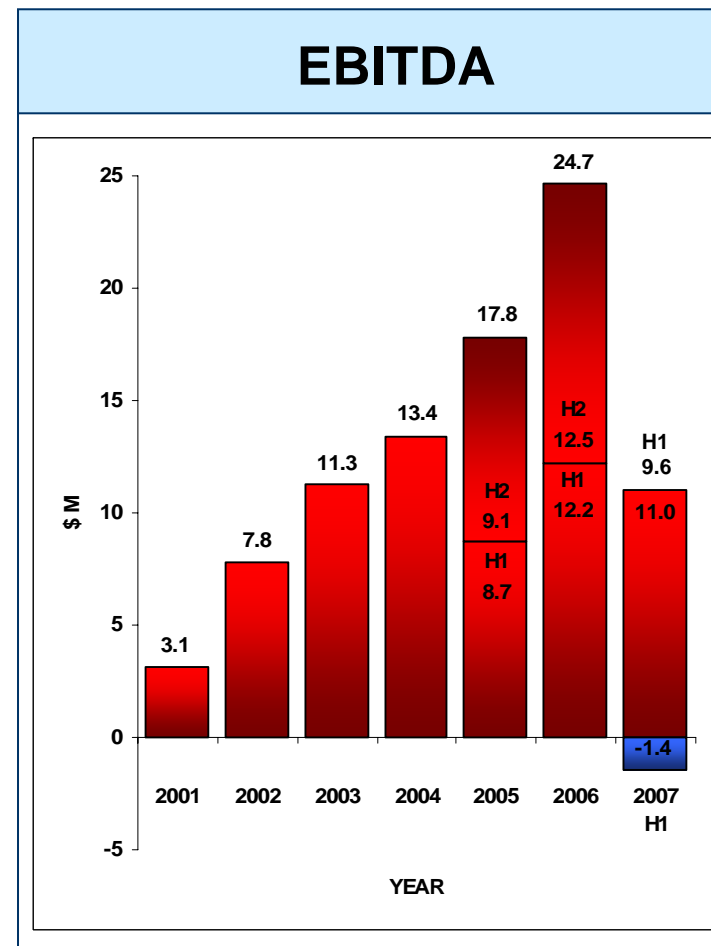
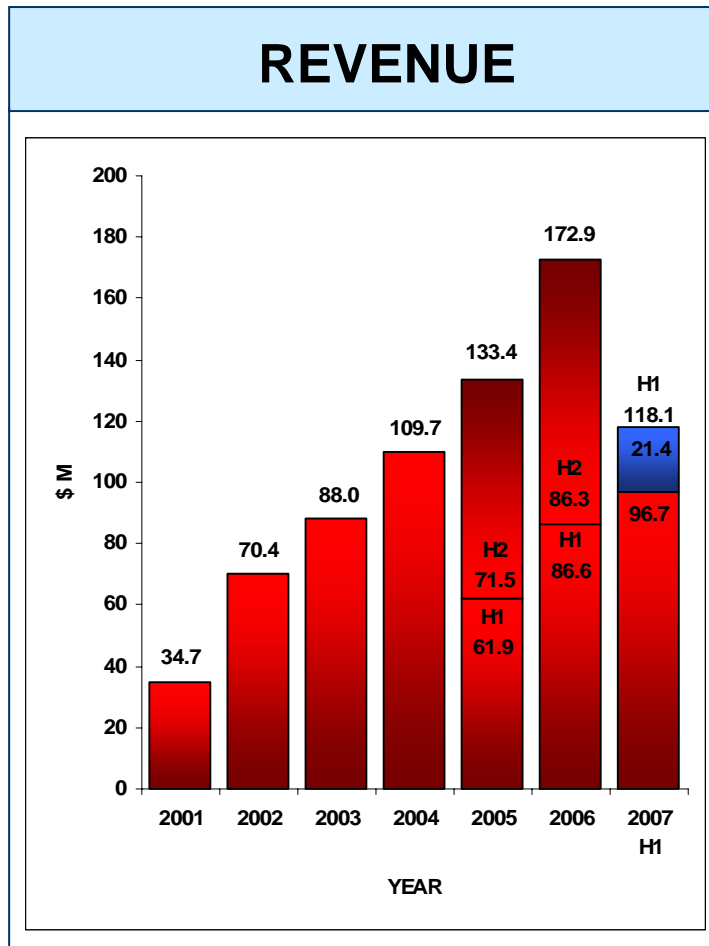
## NETWORK STORE & SALES GROWTH

- Aus/NZ opened 19 stores in first half
- Europe added seven new stores in the half (to the 155 on acquisition)
- Aus/NZ corporate store ratio has increased to 32% which is ahead of plan and there are significant reductions planned for second half. See slide 19 for further detail

	H1 05	H2 05	F/Y 05	H1 06	H2 06	F/Y 06	H1 07
<b>Network Sales (\$ mil)</b>	148.6	157.5	306.1	176.6	182.8	359.4	251.0
<b>Number of Aus/NZ stores</b>							
Franchised stores	232	272	272	289	301	301	313
Corporate stores	101	115	115	126	137	137	144
<b>Aus/NZ network stores</b>	<b>333</b>	<b>387</b>	<b>387</b>	<b>415</b>	<b>438</b>	<b>438</b>	<b>457</b>
Corporate store %	30%	30%	30%	30%	31%	31%	32%
Stores added in period	39	54	93	28	23	51	19
<b>Number of European stores</b>							
Franchised stores							154
Corporate stores							8
<b>European network stores</b>							<b>162</b>
Corporate store %							5%
Stores added in period							162
<b>Consolidated number of stores</b>							
Franchised stores	232	272	272	289	301	301	467
Corporate stores	101	115	115	126	137	137	152
<b>Total network stores</b>	<b>333</b>	<b>387</b>	<b>387</b>	<b>415</b>	<b>438</b>	<b>438</b>	<b>619</b>
Corporate store %	30%	30%	30%	30%	31%	31%	25%
Stores added in period	39	54	93	28	23	51	181



# REVENUE & EBITDA RESULTS



Aus/NZ ■

Europe ■



# RESULTS – AUSTRALIA, NEW ZEALAND & EUROPE

- Australia EBITDA down 16.9% on H1 06 due to:
  - Domino's Service & Supply - start up of new cost centre was a higher loss than expected (\$230k loss)
  - \$0.5m less corporate development profit than previous halves
  - Weaker promotions (as per October announcement)
  - Margin reduction not expected to be permanent
- NZ EBITDA 200% up on H1 06:
  - Due to healthy year on year growth
  - EBITDA margin % below H1 06 due to increased store construction revenue with no margin
- Europe – Tracking slightly ahead of plan

	H1 05 *	H2 05 *	F/Y 05 *	H1 06	H2 06	F/Y 06	H1 07	+ / (-) H1 06
	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	%
<b>REVENUE</b>								
Australia	59.3	67.8	127.1	82.1	81.6	163.7	89.4	8.9%
New Zealand	2.6	3.7	6.3	4.5	4.7	9.2	7.3	62.2%
Europe	0	0	0	0	0	0	21.4	NA
Total Revenue	61.9	71.5	133.4	86.6	86.3	172.9	118.1	36.4%
<b>EBITDA</b>								
Australia	8.8	10.6	19.4	11.8	11.4	23.2	9.8	-16.9%
New Zealand	(0.1)	(1.5)	(1.6)	0.4	1.1	1.5	1.2	200.0%
Total Australia/NZ	8.7	9.1	17.8	12.2	12.5	24.7	11.0	-9.8%
Europe	0	0	0	0	0	0	(1.4)	NA
Total EBITDA	8.7	9.1	17.8	12.2	12.5	24.7	9.6	-21.3%
<b>EBITDA MARGIN %</b>								
Australia	14.8%	15.6%	15.3%	14.4%	14.0%	14.2%	11.0%	
New Zealand	NA	NA	NA	8.9%	23.4%	16.3%	16.4%	
Europe	NA	NA	NA	NA	NA	NA	NA	
Total EBITDA Margin %	14.1%	12.7%	13.3%	14.1%	14.5%	14.3%	8.1%	

\* All 05 Actuals have been restated for the conversion to A-IFRS  
 05 & 06 Revenue has been restated under A-IFRS to exclude items classified as "Other income"



## RESULTS - CORPORATE

- Corporate results largely impacted by soft sales
- Greater weight of immature stores in Victoria, our newest market
- Results include eight corporate stores in Europe (no material effect)
- European stores have moved from losses to modest profit

	H1 05 *	H2 05 *	F/Y 05 *	H1 06	H2 06	F/Y 06	H1 07	+ / (-) H1 06
	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	%
<b>Revenue</b>	45.8	53.0	98.8	61.8	64.0	125.8	70.7	14.4%
<b>EBITDA</b>	4.3	5.7	10.0	6.2	6.8	13.0	6.2	0.0%
<b>EBITDA Margin %</b>	9.4%	10.8%	10.1%	10.0%	10.6%	10.3%	8.8%	

\* All 05 Actuals have been restated for the conversion to A-IFRS



## RESULTS - FRANCHISE

- Aus/NZ \$0.8m below previous year due to immature franchisee performance in a weaker trading environment
- Europe \$1.4m loss slightly ahead of plan
- All European overheads have been classified in the franchise segment (unallocated overhead immaterial)
- Strong return on funds employed

	H1 05 *	H2 05 *	F/Y 05 *	H1 06	H2 06	F/Y 06	H1 07	+ / (-) H1 06
	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	%
<b>Revenue - Aus/NZ</b>	13.5	17.1	30.6	22.4	18.0	40.4	25.0	11.6%
<b>Revenue - Europe</b>							18.9	NA
<b>EBITDA - Aus/NZ</b>	5.9	4.7	10.6	7.0	7.0	14.0	6.2	-11.4%
<b>EBITDA - Europe</b>							-1.4	NA
<b>EBITDA Margin % - Aus/NZ</b>	43.7%	27.5%	34.6%	31.3%	38.9%	34.7%	24.8%	
<b>EBITDA Margin % - Europe</b>							NA	

\* All 05 Actuals have been restated for the conversion to A-IFRS



## RESULTS – CORPORATE DEVELOPMENT & UNALLOCATED

- Corporate Development
  - Less profit on sale of stores
  - Projecting to be greater in H2 (in line with previous halves)
  
- Other / unallocated (G&A)
  - Savings created from Head Office departments generating incremental revenues



	H1 05 *	H2 05 *	F/Y 05 *	H1 06	H2 06	F/Y 06	H1 07	+ / (-) H1 06
	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	%
<b>EBITDA</b>								
<b>Corporate Development</b>	0.1	1.2	1.3	1.2	1.2	2.4	0.7	-41.7%
<b>Other / Unallocated</b>	(1.6)	(2.5)	(4.1)	(2.2)	(2.5)	(4.7)	(2.1)	-4.5%

\* All 05 Actuals have been restated for the conversion to A-IFRS



## PROFIT & LOSS

- Interest costs up \$0.7m, 88% on last year
- Tax compares unfavourably due to 06's \$1m positive tax adjustment
- Interest cover 4.3 times – reduction due to European acquisition. Expected to improve in H2 as a result of debt reduction

	H1 05 *	H2 05 *	F/Y 05 *	H1 06	H2 06	F/Y 06	H1 07	+ /(-) H1 06
	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	\$ mil	%
<b>Revenue</b>	<b>61.9</b>	<b>71.5</b>	<b>133.4</b>	<b>86.6</b>	<b>86.3</b>	<b>172.9</b>	<b>118.1</b>	<b>36.4%</b>
<b>EBITDA</b>	<b>8.7</b>	<b>**9.1</b>	<b>**17.8</b>	<b>12.2</b>	<b>12.5</b>	<b>24.7</b>	<b>9.6</b>	<b>-21.3%</b>
Depreciation & Amortisation	2.6	2.6	5.2	3.0	3.0	6.0	3.4	<b>13.3%</b>
<b>EBIT</b>	<b>6.1</b>	<b>**6.5</b>	<b>**12.6</b>	<b>9.2</b>	<b>9.5</b>	<b>18.7</b>	<b>6.2</b>	<b>-32.6%</b>
EBIT Margin	9.9%	9.1%	9.4%	10.6%	11.0%	10.8%	5.2%	
<b>NPBT (pre share issue costs)</b>	<b>5.1</b>	<b>5.4</b>	<b>10.5</b>	<b>8.4</b>	<b>8.8</b>	<b>17.2</b>	<b>4.7</b>	<b>-44.0%</b>
<b>NPAT (pre share issue costs)</b>	<b>3.6</b>	<b>3.6</b>	<b>7.2</b>	<b>6.5</b>	<b>6.5</b>	<b>13.0</b>	<b>3.5</b>	<b>-46.2%</b>
<b>Net Profit After Tax</b>	<b>3.6</b>	<b>2.8</b>	<b>6.4</b>	<b>6.5</b>	<b>6.5</b>	<b>13.0</b>	<b>3.5</b>	<b>-46.2%</b>
<b>Performance Indicator</b>								
Interest Cover (times)	6.1	5.9	6.0	11.5	13.6	12.5	4.3	

\* All 05 Actuals have been restated for the conversion to A-IFRS

05 & 06 Revenue has been restated under A-IFRS to exclude items classified as "Other income"

\*\* Actual profits exclude pay out of Senior Executive incentive plan of 1.2 million (share issue costs)



## CASH FLOW

- Working capital increase \$3.1m
  - Additional tax payments \$2.0m (catch up)
  - Inventories DSS and Europe \$1.0m
- Acquisition of Europe \$13m
- Investment in corporate stores \$16.9m. This will reverse in second half
- Extra \$10.9m in debt finance

	H1 06 \$ mil	H2 06 \$ mil	H1 07 \$ mil
<b>EBITDA</b>	<b>12.2</b>	<b>12.5</b>	<b>9.6</b>
Change in Working Capital	2.3	(0.2)	(3.1)
Other	(4.2)	(3.1)	(3.2)
<b>Net Cashflow from Operations</b>	<b>10.3</b>	<b>9.2</b>	<b>3.3</b>
Payment for PPE, intangibles & stores	(16.9)	(10.9)	(16.9)
Loans to related parties, franchisees	(3.7)	4.9	(2.6)
Proceeds from sale of PP&E & intangibles	7.6	2.8	7.2
Acquisition of European subsidiaries, net of cash acquired	-	-	(13.0)
Other	-	-	(1.4)
<b>Net Cashflow from Investing</b>	<b>(13.0)</b>	<b>(3.2)</b>	<b>(26.7)</b>
Proceeds from borrowings	5.0	14.4	28.6
Repayment of borrowings	(0.6)	(2.6)	(17.7)
Proceeds from/(payment for) issue of equity securities	(0.2)	0.2	2.3
Dividends paid	(0.4)	(2.5)	(1.7)
<b>Net Cashflow from Financing</b>	<b>3.8</b>	<b>9.5</b>	<b>11.5</b>
<b>Net Change in Cash Position</b>	<b>1.1</b>	<b>15.5</b>	<b>(11.9)</b>
<b>Cash at the end of Period</b>	<b>3.8</b>	<b>19.3</b>	<b>7.4</b>



## BALANCE SHEET

- Cash held for Europe (\$14.6m) at June 06 now paid
- Trade and Other Receivables increased \$13.4m due to Europe
- Inventories up \$2.1m – Europe acquisition and DS&S
- Other current assets – Europe \$1.2m
- Deferred tax assets - \$3.1m Europe losses (available to offset tax on future profits)
- Goodwill – Europe acquisition \$2.4m; Franchise acquisitions \$4.9m
- Trade and Other Payables – Europe \$9.5m
- Expect debt levels to reduce by approximately 20% by year end

	F/Y 06	H1 07	+ /(-) F/Y 06
	\$ mil	\$ mil	\$ mil
<b>Current assets</b>			
Cash and cash equivalents	19.3	7.4	-11.9
Trade & other receivables	5.3	19.0	13.7
Other financial assets	0.0	1.5	1.5
Inventories	1.4	3.5	2.1
Other	6.3	10.2	3.9
<b>Total current assets</b>	<b>32.3</b>	<b>41.6</b>	<b>9.3</b>
<b>Non-current assets</b>			
Other financial assets	4.6	4.9	0.3
Property plant & equipment	33.0	38.8	5.8
Deferred tax assets	0.8	3.9	3.1
Goodwill	33.1	40.4	7.3
Other	2.2	0.7	-1.5
<b>Total non-current assets</b>	<b>73.7</b>	<b>88.7</b>	<b>15.0</b>
<b>Total assets</b>	<b>106.0</b>	<b>130.3</b>	<b>24.3</b>
<b>Current liabilities</b>			
Trade and other payables	12.8	22.0	9.2
Borrowings	0.4	0.5	0.1
Other financial liabilities	0.4	0.1	-0.3
Current tax payables	2.8	1.3	-1.5
Provisions	2.0	2.0	0.0
<b>Total current liabilities</b>	<b>18.4</b>	<b>25.9</b>	<b>7.5</b>
<b>Non-current liabilities</b>			
Borrowings	30.6	42.0	11.4
Provisions	0.6	1.9	1.3
<b>Total non-current liabilities</b>	<b>31.2</b>	<b>43.9</b>	<b>12.7</b>
<b>Total liabilities</b>	<b>49.6</b>	<b>69.8</b>	<b>20.2</b>
<b>Net Assets</b>	<b>56.4</b>	<b>60.5</b>	<b>4.1</b>
<b>Equity</b>			
Issued capital	40.0	44.7	4.7
Reserves	0.4	0.4	0.0
Retained earnings	16.0	15.4	-0.6
<b>Total equity</b>	<b>56.4</b>	<b>60.5</b>	<b>4.1</b>
<b>Return on Invested Capital **</b>	<b>25.0%</b>	<b>12.1%</b>	

\*\* Calculation based on average opening & closing invested capital and annualised EBIT (pre share issue costs)



## LOOKING FORWARD – MAJOR ACTIVITIES

### Store expansion target + 1,600 stores

- Store roll out to continue in all five countries
- Will end June with 668 stores due to the additional 75 stores to be added in 2007
- Have significantly reduced entry level store price from \$350k to \$290k in Australia and from \$450k to \$350k in NZ

### Domino's Service & Supply

(Domino's in-house equipment maintenance and supply department, and in-house R&M department)

- Expected to move towards profit in H2



New Zealand promotion H1



## LOOKING FORWARD – MAJOR ACTIVITIES

### Innovation

- Based on the success of Brownies and Chicken Kickers, we will continue our promotional program around menu expansion of non-core pizza products in the second half



Australian promotions H1



Australian promotion H2



# LOOKING FORWARD – MAJOR ACTIVITIES

## Innovation (Continued)

- Internet Ordering still represents small proportion of total sales, but continues to grow consistently
- Further enhancements to the Internet Ordering system in second half 07
- NZ internet ordering system to be enabled in H2
- With 97% of stores on Pulse by end of H2, projects starting to come on line that utilise stores being linked 24 hours a day eg. Internal Store Wars project – Domino's stores competing live with each other for improved service, cost controls, sales and upsell





## LOOKING FORWARD – MAJOR ACTIVITIES

**Will look to reduce proportion of corporate stores over the next 12 months from 30% to 15-20%**

### Why?

- Refocus corporate stores into cost effective geographic locations
- Still maintain benefits of hybrid model
- Centralise and reduce administration overheads

### Expected outcomes

- Grow and strengthen Multi-Unit Franchisees
- Growth of new stores impacted in short term (revised 35 store projection in Aus/NZ)
- Generate significant cash both from sale of stores and reduction in stay in business capex
- Minimise susceptibility to sales volatility





## LOOKING FORWARD – MAJOR ACTIVITIES

### Management aware of:

- Drought has unfortunately taken away savings upside in cheese (previously shared), with higher flour and protein costs
- Success of promotions continues to be a significant influence on the business, and substantial activity taking place in this area eg. increased resources with new Development Chef hired





# EUROPE

## Focus since taking ownership in Europe

- Improving economics at store level
  - SSS 12.5%, applying high volume learning
  - Remove operational bottlenecks, more equipment, people and training
  - Increased store presence and advertising (above and below line)
  - Purchasing and recipes work improving margins and promotes value pricing
  - Corporate stores now profitable
  - Training – Pizza College and regular store audits on standards (OER)
- Corporate investment in platforms for growth
  - Relocation of four Expats
  - Local advertising agencies and consumer research
  - Commissary capacity increased in both markets
  - Purchasing synergies with neighbouring countries
  - Recruited CFO and IT Manager
  - Additional development resources





# EUROPE

## Looking forward

- Learning and opportunities from research
  - New pizzas tailored to French and Dutch markets
  - Locally developed advertising
  - Confirms original business plan
  - Grow take-away sales
  - 2007 national TV in Netherlands and radio in France
- Growing the network
  - On track for 40 stores added in full year
  - Successfully finding sites
  - Need to gear up for construction and franchisee training
  - Conversions currently underway in all three markets
  - Still primary franchisee system
  - Corporate store numbers will be limited until key people are developed



European Promotions H1





# EUROPE

## Looking forward

- Supporting growth
  - Rolling out common European POS
  - Increased finance and development resources
  - Planning second French commissary
  - Europe franchisees and management visiting Australia to accelerate best practice and HVM learning
- Challenges in Europe
  - Language and cultural differences affect the pace of change
  - Must ensure additional overhead is proportional to current size of business



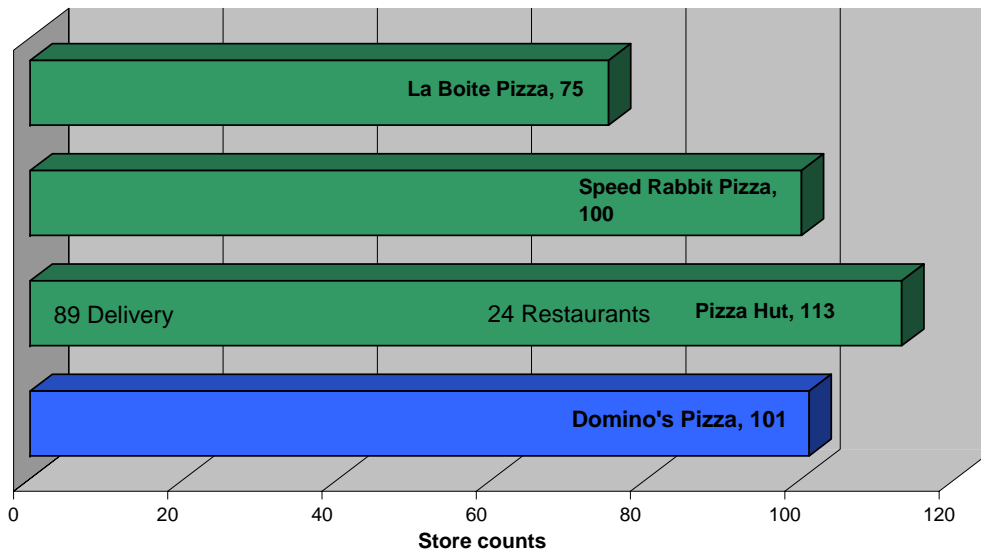


# EUROPE

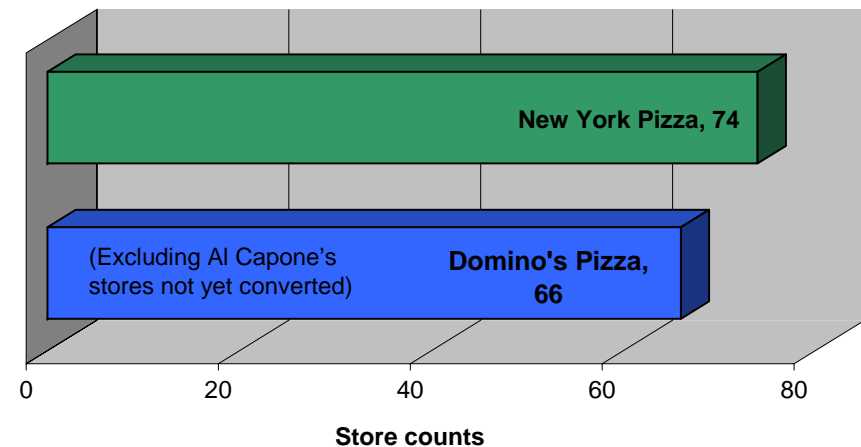
## Pizza a large but very fragmented market

- Opportunity in both France and Netherlands to become the leading Pizza chain
- Consumer research re-enforced the opportunity for chains in market
- Menu development, pricing and advertising designed to help source consumers from independents

Store Counts of Largest Pizza Chains - France



Store Counts of Largest Pizza Chains - Netherlands



Total pizzerias in France – over 12,000

Total pizzerias in Netherlands – over 1,900



## CONCLUSION

- Results consistent with impact of growth into Europe. Australia's poor first quarter performance per October announcement
- Group continuing innovative pizza development, whilst expanding into other non-core products in Australia. NZ and Europe adding new pizzas tailored to local markets
- Australia's performance expected to improve
- NZ continues to be strong performer
- Europe tracking well and expanding
- DPE projecting to add 75 stores in 2007
- Strategic plan to reduce corporate store mix over the next 12 months to improve margins and generate significant cash flow
- New guidance H2 NPAT 40% up on H1