

9 December 2024

LEI: 213800Q6ZKHAOV48JL75

This announcement contains Inside Information

Domino's Pizza Group PLC

New Profitability and Growth Framework with franchise partners

Domino's Pizza Group ("DPG" or "the Company") is pleased to announce that it has reached a new five-year framework with its franchise partners to capitalise on its significant long-term growth opportunity.

In particular, it underpins our confidence in our targets of in excess of 1,600 stores delivering £2.0bn of systems sales by 2028 and 2,000 stores delivering £2.5bn of system sales by 2033 driving profit growth across the system.

The new framework will see the transition of the existing and very successful Memorandum of Understanding ("MoU") to a new Profitability and Growth Framework ("PGF"). The PGF will commence on 3 January 2025 following the conclusion of the existing MoU on 2 January 2025.

DPG and its franchise partners have made significant strategic progress together since 2021 under the MoU, collectively benefiting from an aligned system. New store openings have accelerated, national value campaigns have delivered increased orders, and we have brought more innovation to customers. In addition, app customers have doubled, our service times have significantly improved and GPS technology was rolled out. We also successfully launched and scaled nationally on Just Eat and Uber Eats. The PGF will embed the new ways of working that have enabled the relationship to go from strength to strength and ensures continuation of our mutual achievements of the last three years.

The PGF aligns DPG and franchisees through shared investment in marketing, technology and creates a framework of incentives to drive meaningful new store openings. Given the long term nature of the PGF, the Board also now expects to make several additional investments, which are highlighted below, to underpin the longer term growth of the business for the whole Domino's system.

Although the PGF has an initial term of five years, it is intended to last beyond this period with arrangements reviewed periodically and adjusted by mutual consent. This will provide more agility for the parties to adapt to, and capitalise on, changing market conditions.

The PGF was negotiated with the Domino's Franchise Association ("DFA") and received unanimous support from franchise partners.

Key highlights of the PGF

We believe the PGF will deliver significant long-term benefits for DPG and the broader system. The PGF establishes a platform to build further on the strategic progress under the MoU and underpins our confidence in our stores and system sales targets.

Enhanced marketing contribution: The National Advertising Fund ("NAF") is a core pillar of our competitive advantage. Franchise partners already contribute a substantial 4.0% of system sales to the NAF which is used to support national campaigns and promote the Domino's brand. This contribution will continue under the PGF. In 2021, DPG increased its marketing investment consistent with its MOU commitment. Under the PGF, this will be replaced by a fixed 0.2% of system sales to the NAF.

Digital Investment: DPG and its franchise partners have committed to increase digital investment to enhance its product offering further and widen its competitive advantage. With c.9.5m app customers, our new eCommerce platform and our loyalty trial underway, we are excited by the potential to drive increased order frequency from our digital capabilities. Under the MoU, DPG invested £20m in technology which included the build of a new eCommerce system, this investment is now complete and there is no similar one-off investment under the PGF. From 1 July 2025, franchise partners will increase their contribution to the eCommerce fund to 1.0% of system sales, an increase from the current 0.75%, based on DPG completing a defined technology milestone. DPG will also now contribute 0.25% of system sales into the eCommerce fund to support the increasing platform running costs.

New Store Incentives: To maximise the opportunity in lower address count territories DPG has adjusted the new store incentives - all new store incentives under the PGF will now be paid over five years compared to the current three years. Incentives will remain at £100k for a virgin territory and £150k for a split territory. In addition, new stores with an agreed lower average weekly unit sales will qualify for a new incentive.

National Value Campaigns: Offering customers value for money is essential in the current environment. Our successful national value campaigns will continue under the PGF with DPG support through a new food rebate mechanism for our franchise partners which has been structured to increase like-for-like orders.

DPG's incremental contribution to the PGF directly is expected to be c.£3-4m per annum from FY25.

Outlook

We continue to trade in line with expectations. In the first 9 weeks of Q4, total orders are up 5.3% (Q3 24: +3.5%) and like-for-like sales are up 2.7% (Q3 24: +0.7%).

As with other major employers in the UK, the recent UK budget has significantly increased the cost of labour for both DPG and our franchise partners, who are particularly impacted. Although we have identified specific mitigation plans, we now believe that the annual impact for DPG will be c.£3m per annum from FY25 onwards.

Given the long term nature of the PGF, the Board now expects to make several investments to support the longer term growth of the business for the whole Domino's system. These investments will support our progress towards our medium and long term store and system sales targets. An additional c.£4-5m per annum will be invested in the cost base in several areas including the continued stability and innovation of our technology platform, strengthening our cyber security and the commencement of the process of increasing our supply chain capacity.

Andrew Rennie, CEO said:

"I'm delighted to have reached a longer-term framework with our world-class franchise partners. This new framework is a vital step in driving the future growth of both DPG and our franchise partners. We've shown since 2021 that when we are aligned with our franchisees, we can achieve so much together, and this framework will take our partnership to the next level.

The framework is good news for all our stakeholders. Having a five-year framework in place provides a strong platform for the long-term, sustainable growth of the brand, and will help us build a larger and more cash-generative business which will deliver stronger returns. It also means we will be well placed to address the headwinds all consumer-facing businesses will inevitably face in 2025 and will ensure we are in a strong position to thrive in the years that follow.

I'd like to thank all our franchise partners and the DFA for the constructive discussions over the past few months. We look forward to continuing to offer customers outstanding value and service, whilst bringing the Domino's brand to even more areas of the UK."

Mark Millar, DFA Chairman, said:

"The DFA and its members are pleased to have agreed a new framework for driving profitability and growth. Against a backdrop of significant and unexpected tax increases from the UK budget, having a five year framework in place provides some much needed certainty for our members. I'd like to thank Andrew and his team for conducting the discussions in the spirit of driving growth for the entire Domino's system, and we are excited about the opportunities ahead."

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended (together, "MAR").

The person responsible for making this notification is Adrian Bushnell, Company Secretary.

For further information, please contact:

Domino's Pizza Group plc:

Will MacLaren, Director of Investor Relations - 07443 192 118

Brunswick:

Tim Danaher, Abbie Sampson - 020 7404 5959

About Domino's Pizza Group

Domino's Pizza Group plc is the UK's leading pizza brand and a major player in the Irish market. We hold the master franchise agreement to own, operate and franchise Domino's stores in the UK and the Republic of Ireland. As of 6 December 2024, we had 1,362 stores in the UK and Ireland.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact ms@seg.com or visit www.ms.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

MSCFFFELFELTIIS