

DOMINO'S PIZZA ENTERPRISES (DMP)

14 AUGUST 2018

RESULTS	Full Year 2018	Full Year 2017	CHANGE
Revenue (\$m)	1,154.0	1,073.1	+7.5
Bloomberg Consensus (\$m)	1,204.0		
Network Sales (\$m)	2,588.9	2,318.5	+11.7%
Underlying EBITDA (\$m)	259.2	230.9	+12.3%
Underlying Net Profit after Tax (\$m)	133.2	118.5	+12.4%
Bloomberg Consensus (\$m)	136.8		
Final Dividend (\$)	0.497	0.449	+10.7%

Domino's (DMP) falls short of guidance despite lift in sales and expansion

- Australia's largest pizza company, **Domino's (DMP)** posted a slightly below consensus \$133.2m underlying profit for the 12 months to 1 July 2018. Pizza sales improved across all its markets thanks partly to aggressive expansion, however fell short of the company's sales growth guidance. Revenue, underlying EBITDA and Net Profit after Tax (NPAT) all fell short of expectations of the 10 analysts surveyed by Bloomberg and was below the company's own forecasts of "around 20%" growth in earnings.
- **DMP continues to expand its reach globally** both organically and through acquisition. Over the year 308 stores were added to the network, 163 via the acquisition of Hallo Pizza stores in Europe earlier this year and 145 new organic stores. This takes the number of stores under the DMP umbrella (both franchised and corporate) to 2,393.
- Its **ANZ operations** (its biggest earner) increased sales by 7.7% or \$79.9m over the year partly thanks to Same Store Sales (SSS) growth and the opening of 50 stores. SSS increased by 4.5% which was below the company's own guidance of 6 - 8% growth. EBITDA rose by 15.4% to \$133.2m. Online sales rose by almost 12% thanks partly to the continued development of its technology. DMP now has 819 stores in Australia and New Zealand.
- DMP now has more stores in **Europe** than any other market, has opened 68 new outlets and takes the total to 1,054 stores in total. While Europe EBITDA rose by 24.8%, SSS jumped by just 5.7% (guidance 6 - 8%). It incurred \$14.5m in one-off costs linked to its acquisition of Germany based Hallo Pizza in January. Its operations in **Japan** now account for around 20% of its EBITDA, which fell by 8.1% over the year together with less than 1% growth in SSS. DMP opened 27 new stores in Japan to a total of 520 stores.
- DMP will be paying eligible investors a \$0.497 **final dividend** on 5 September 2018 and will trade ex-dividend on 20 August 2018. This takes the annual distributions to \$1.078 per share. **Looking ahead**, DMP said it anticipates SSS growth of 3-6% over FY19, to open between 225-250 stores and expects an approximate \$46m lift in underlying earnings over the year to between \$227-\$247m. Bloomberg consensus centred on a figure of \$252.6m. DMP has flagged slowing conditions across its main markets so far this financial year.
- **DMP shares** fell heavily following the profit miss and lower guidance for FY19, however is largely unchanged so far this calendar year. Keep in mind its share price rose 25 times between 2009 and 2016 but has been under pressure since the time of its August 2016 earnings result. It is a heavily shorted stock on the ASX (approximately 15% of the stock is short sold according to ASIC data).

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