

17 February 2021

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Domino's Pizza Enterprises Limited

Consumer Discretionary

UNDERPERFORM

DMP A\$104.56

TARGET PRICE A\$84.58

Domino's Pizza Enterprises Limited (DMP) is engaged in the operation of retail food outlets and franchise service. The Company holds the exclusive master franchise rights for the Domino's brand and network in Australia, New Zealand, France, Belgium, the Netherlands, Japan and the Principality of Monaco. The Domino's brand is owned by Domino's Pizza, Inc. which operates within the Quick Service Restaurant (QSR) pizza segment of the fast food market in Australia and New Zealand.

Company Data

Number of shares	86.5 M
Market Capitalisation	\$8,445.5 M
Free float (%)	63.1
12-month high/low	\$99.35/\$44.75
Average Daily Turnover (\$m)	26.086
% S&P/ASX200	0.44%
DDM Ranking	312
% All Ordinaries	0.37%
GICS Industry Group	Hotels, Restaurants & Leisure

Source: FactSet, Barclay Pearce Capital

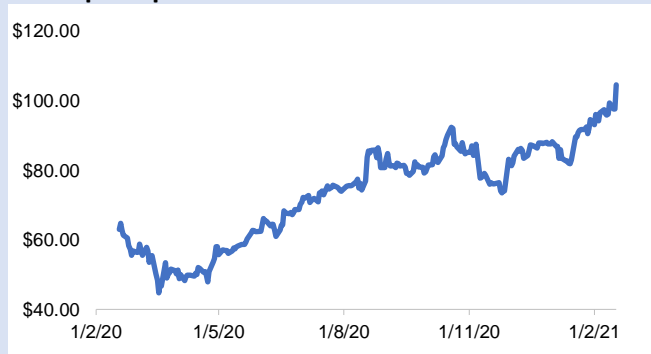
Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	1,920.4	2,242.1	2,453.4	2,686.4
EBITDA (\$M)	355.8	420.6	472.0	528.4
Reported NPAT (\$M)	138.5	184.9	212.4	242.7
Adjusted NPAT (\$M)	145.8	185.8	213.2	241.9
Reported EPS (c)	160.9	214.8	245.0	276.1
Adjusted EPS (c - FD)	160.8	214.7	244.5	280.9
Adjusted EPS growth (%)	-2.5	33.5	13.9	14.9
Adjusted P/E (x)	60.7	45.5	39.9	34.7
Dividend (c/sh)	119.3	151.7	173.1	198.8
Gross yield (%)	1.7	2.1	2.4	2.8
Net yield (%)	1.2	1.5	1.7	1.9
ROIC (%)	12.1	10.6	12.2	14.1

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance.



Source: FactSet, Barclay Pearce Capital

Half Yearly 2021 Media Release

On 16th February, Dominos Pizza Enterprises Limited (DMP) released their interim results for the half year ended December 2020 with the following highlights:

Highlights

- Network sales: +16.5% to \$1.84b;
- Online sales: +25.4% to \$1.42b;
- EBITDA: +23.8% to \$218.7m;
- EBIT: +32.3% to \$153.0m (International EBIT: +55.7% to \$99.9m: 65.3% of Group EBIT);
- Underlying NPAT (after Minority Interest): +32.8% to \$96.2m;
- Free Cash flow: up +50.3% to \$124.4m;
- Japan: Management and franchisees have accelerated new store openings (+68) and sales (+42.6% to ¥36.7b) through new customers and higher frequency, lifting EBIT +112.3%, to ¥4.2b;
- Europe: Regional sales (+13.8%, to €435.7m), reflected local COVID conditions and management response. Positive in all countries led by notable growth in Germany;
 - EBIT grew +18.2%, to €27.2m;
- ANZ: Experienced franchisees grew sales (+5.7% to \$648.0m) and expanded their businesses with new stores and refranchising of corporate stores; and
 - Improved margins lifted EBIT +9.8% to \$63.7m.

With the COVID-19 pandemic continuing to impact the communities that Domino's serves, the Board and Management of Domino's Pizza Enterprises Ltd (ASX:DMP) recognise the ongoing efforts of franchisees and team members across nine countries, as they continue to prioritise the safety and wellbeing of customers, team members, and the community. Domino's today announced global food sales for the Half Year increased by \$260.8m to \$1.84b (+16.5% on the prior year, +8.5% on a Same Store Sales basis), and delivered Half Year EBITDA of \$218.7m (+23.8%).

Group CEO and Managing Director Don Meij said he was very pleased with the Company's performance, which largely reflected experienced management and franchisees executing on a longterm strategy rather than one-off costs or short-term sales attributable to COVID-19. *"The performance this half predominantly reflects the benefits from investing in, and strengthening, our franchisee base and expanding our store footprint on a global scale, and the efforts of tens of thousands of our people executing against our strategy."*

Domino's opened 131 organic new stores, 5.0% of the network, with significant contributions from Japan (+68 new stores), France (+19 new stores) and Germany (+15 stores). Germany surpassed its previous Full Year record for organic new stores (+13 new stores) in the First Half.

Earnings changes

For H1 FY21 DMP reported an EBITDA of \$218.7M, which surpassed market expectations of a \$210M. Dominos has strong potential for organic growth through its opening of new stores, hence we expect positive earnings revision of 5% for FY21 and future periods.

Valuation

We are initiating on DMP with a price target of \$84.58 and a UNDERPERFORM recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's,

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employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

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Valuation Methodology

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Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)