Australian Shareholders' Association Limited
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Another dismal year for Domino's

Company/ASX Code	Domino's Pizza Enterprises Limited (DMP)
AGM time and date	3 PM, Wednesday, 1 November 2023
Location	Dexus Place Brisbane, Level 31, Waterfront Place, 1 Eagle Street, Brisbane, and online.
Registry	Link Market Services
Type of meeting	Hybrid - https://meetings.linkgroup.com/DMP23
Monitor	Peter Cory
Pre-AGM Meeting	No

The individual involved in the preparation of this voting intention has a shareholding in this company.

Summary of Issues for the Meeting

At the 2022 AGM, shareholder approval was received for the renegotiated contract of the Group CEO and Managing Director, commencing in FY23. This was based on a Board review of Mr Meij's remuneration, including benchmarking against other ASX listed organisations of a similar size. This review showed that Mr Meij was positioned below the market median, which the Board felt was not reflective of his capability and performance.

However, the past 12 months has been challenging with the FY23 remuneration outcomes reflecting the overall performance of the business with low short-term incentive (STI) vesting outcomes and no long-term incentive (LTI) vesting. In FY23, fixed remuneration (FR) increases were based on a combination of factors, including benchmarking data from the market and role changes. STI results for the senior executive team averaged 17.4% with the Group CEO receiving 0% of his bonus opportunity.

Proposed Voting Summary

No.		
1	Adoption of Remuneration Report	For
2	Re-Election of Grant Bryce Bourke as Non-Executive Director	For
3	Grant of a Right to the Managing Director, in respect of his FY24 STI	For
4	Grant of Performance Rights to the Managing Director, in respect of the FY24 LTI	For

2023 FY Year Highlights

Domino's Pizza (ASX: DMP) posted disappointing FY23 results.

Underlying net profit of $122.6m, was down 25.7%, well below the guidance released at the FY22 AGM for NPAT growth in FY23 despite a difficult first quarter and Domino's highlighting ongoing change – historic inflation and global conflict are affecting consumer sentiment. Trading updates were released to the market through the year advising of slippage. Full-year same store sales growth, new store additions and net capex were all below its medium-term growth targets.

In the earlier stages of the year, Domino's announced the expansion of its business in Asia with the acquisition of the markets of Malaysia, Singapore and Cambodia, including 287 corporate-owned stores. These three markets have a long-term potential of more than 600 stores. At the end of the Financial Year Domino's announced its intention to exit the Danish market, a business that Domino's had anticipated may have grown to 150 stores. However, despite world-class operations Domino's were unable to overcome the legacy of the previous owners that left the business in a brand-damaged state. Domino's Pizza Enterprises Ltd also acquired the remaining 1/3rd of the Domino's Germany business from its UK partners, Domino's Pizza Group plc for approximately $123 million. In December, Domino's Pizza Enterprises Ltd conducted a capital raising of $165 million, including a $150 million fully underwritten placement and a $15m share purchase plan, to fund the acquisition of the remaining shares in Germany, with the surplus towards debt retirement.

In the Financial Year, Domino's Pizza Enterprises Ltd delivered Network sales of $4.0 billion, growth of 2.2% (vs FY22) with Same Store Sales of -0.2%. Despite Network sales growth, the Company delivered an underlying EBIT -23.3% lower than prior year, at $201.7m, on revenue of $2,366.8m1 (+3.4% vs FY22), and a return on equity of 26.5%, which was lower than the prior year.

This reflected the volume decline in stores flowing through to our warehouse margins. Domino's margins were also affected through its inability to pass through ingredient cost changes, following some suppliers declaring force majeure on supply contracts at short notice, largely due to regional impacts of conflict in Europe, such as spiking energy prices.

2023 highlights included;

- Opening 30 new stores in France.
- Opened one store in Belgium, bringing the total in the Belux region to 137.
- In June, Domino's Pizza Enterprises Ltd announced the Company intended to exit the Danish market, which it acquired in 2019 from receivership, following the food scandal attributed to the previous owners.
- In August, Domino's Pizza Enterprises Ltd announced one of the largest expansions in the Company's history, agreeing to acquire Domino's operations in the South-east Asian markets of Malaysia, Singapore and Cambodia. With 13 new stores being opened in Malaysia and store count increased to 42 stores in Singapore.
- Opened 25 stores in Germany.

- Opened 23 new Domino's stores across Australia.
- Opened 10 new Domino's stores across New Zealand, growing the New Zealand store network to 153.
- Became largest pizza chain by store count in 27 prefectures in Japan (vs 22 in the previous year)
- Opened 18 new stores in Taiwan.

	2023	2022	% Increase / Decrease
	(M$)	(M$)	(M$)
Network Sales	$4,005.60	$3,918.00	2.24%
Online	$3,059.60	$3,060.00	-0.01%
Revenue	$2,351.49	$2,289.30	2.72%
EBITDA	$347.20	$396.50	-12.43%
EBIT	$201.70	$262.90	-23.28%
NPAT	$122.60	$165.00	-25.70%
EPS (Cents)	139.47	190.60	-26.83%
Dividends (Cents)	110.00	156.50	-29.71%
Net CAPEX	$159.10	$137.60	15.63%
Free Cash Flow	$38.60	-$7.50	614.67%
Stores Globally	3,782	3,387	11.66%

Five Year Performance Summary

(As at FYE)	2023	2022	2021	2020	2019
NPAT ($m)	122.6	165	184	142.9	114.4
Share price ($)	46.43	68	120.51	68.69	37.64
Dividend (cents)	110	156.5	173.5	119.3	155.5
Simple TSR (%)	30.10%	42.27%	77.97%	85.66%	24.94%
EPS (cents)	139.4	190.6	217.08	175.31	135.5
CEO total remuneration, actual ($m)	1.076	2.528	3.167	1.335	0.95

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

2024 Financial Year

Positive outlook: Network sales growth for the first 7 weeks of FY24 is 12.6% compared to -2.4% in FY23.

Cost cutting: Domino's plans to exit the Danish market and close underperforming stores, which is expected to deliver savings of $50-70 million in FY24.

Based on current momentum, Domino's expects to deliver material sales and earnings improvements in this Financial Year, with FY24 earnings growth expected to flow from structural savings initiatives underway. While margin recovery is starting in Europe and ANZ, management is cautiously optimistic depending on the speed of Asia returning to volume growth.

The following information was released in a market presentation on 23rd August 2023.

DPE IS OPTIMISTIC OF THE SHORT-TERM AND RESOLUTE IN THE MEDIUM- AND LONG-TERM OUTLOOK

▪ *Domino's is rebuilding customer order counts through proven strategies – while this is underway management is optimistic on the short-term outlook, provided momentum continues*

▪ *However, the flow-through to DPE earnings will face headwinds including higher wages in support offices and corporate stores, and the reinvestment of strategic initiatives into franchisee partners*

▪ *DPE expects FY24 to deliver material sales and earnings improvements (based on current momentum vs H2'23)*

▪ *At this stage, these earnings improvements are anticipated to come from structural savings. While margin recovery is starting in Europe and ANZ - management is cautiously optimistic and will provide further updates on this progress*

▪ *Half on Half: Improvements in H1 24 vs H1 23 will depend on improvement in Asia and the timing of savings from the strategic initiatives underway*

THE GLOBAL QSR TREND CONTINUES TO BE TOWARDS THE AGE OF DELIVERY

▪ *The past Financial Year has reinforced the importance of balancing the value equation for customers*

▪ *DPE has the people, the technology, global footprint, and the experience, to deliver for customers, franchisee partners, and shareholders.*

ESG

Domino's recently become the first Quick Service restaurant chain to have its science-based environmental targets validated based on the latest scientific guidance on Forest, Land and Agriculture (FLAG).

To reach its long-term targets, including Net Zero emissions by 2050, Domino's is expanding the use of electric vehicles to deliver pizzas globally as well as partnering with the dairy industry to reduce one of the largest sources of emissions in pizza production: cheese. To reach its ambitious goal, Domino's is working with business partners to identify ways to reduce dairy emissions, without compromising on customers' taste preferences.

In addition to targeting Net Zero, Domino's has also committed to reduce greenhouse gas emissions by 65% per product sold by 2030 compared to 2020 emissions – including business growth – and to halt deforestation in its supply chain by 2025.

Key Board or senior management changes

In accordance with clause 13 of the Constitution and ASX Listing Rule 14.4, Mr Grant Bourke is retiring. Being eligible, Mr Bourke offers himself for re-election.

Domino's Board Currently has a 43% Gender Balance.

Resolutions

1. Adoption of Remuneration Report

The remuneration report of the Company for the financial year ended 2 July 2023 is set out in the Company's 2023 Annual Report

2023 CEO Remuneration

CEO rem. Framework for FY23	Target $	% of Total	Actual Received	% of Total
Fixed Remuneration	$1,717,500	26%	$1,835,114	86%
STI - Cash	$825,000	13%	$0	0%
STI - Deferred	$825,000	13%	$297,119	14%
LTI	$3,200,000	48%	$0	$0
Total	$6,567,500	100%	$2,132,233	100%

For 2023, the CEO's total actual remuneration of $1.07m was 21.8 times the Australian Full time Adult Average Weekly Total Earnings (based on $97,682 November 2022 data from the ABS).

In addition, a one-off, non-recurring special acquisition incentive of $750,000 was added in FY23.

2. Re-election of Grant Bourke as Non-Executive Director

Mr Bourke was initially appointed 24 August 2001, and prior to joining Domino's Mr Bourke was an international executive with Masterfoods (Mars Inc.) and was a Former Director of Corporate Store Operations, Managing Director Europe, and Non-Executive Director since 2007

Mr Bourke is a member of the Nomination, Culture & Remuneration Committee, and the Audit & Risk Committee. Even though Mr Bourke has been a director since 2001, the Board considers him to be an independent director as he continues to bring an independent mind to bear on issues before the Board. ASA guidelines categorize directors with tenure in excess of 12 years as losing their independence, which would be concern if the majority of the board was not categorised as independent.

3. Grant of a Right to the Managing Director in respect of the FY24 STI

Resolution 3 seeks approval for the grant of a Right to the Managing Director, to acquire Shares in the Company having a value of up to $825,000, comprising the deferred portion his FY24 STI award, on the terms set out in the Plan.
The Managing Director will be allocated a number of Shares calculated by reference to:

(a) the value of the Right (which will be equal to 50% of the value of the FY24 STI outcome, being a maximum of $825,000) divided by
(b) (b) the market value of the Shares, which will be equal to the volume weighted average price (VWAP) of a Share over ten trading days – being the 5 days prior to, the day of, and the 4 days following, the announcement of the Company's annual results for FY24.
(c) The Company's obligation to allocate Shares following exercise may be satisfied by issuing new Shares, acquiring Shares on-market or by transferring from an employee share trust.

The Managing Director's remuneration was reviewed as part of his contract negotiations in FY23 and was taken to shareholders in November 2022 for approval. There are no changes to the remuneration package for Mr Meij in FY24.

At last year's AGM it was agreed to apply a CPI increase to the fixed remuneration component in FY24 and FY25. Consistent with this, the Board decided to increase the Managing Director's fixed remuneration by 4% for FY24, an amount that is consistent with the general increase provided to ANZ based staff in FY24.

The amounts of the Short term incentive and Long term incentive remain unchanged. The remuneration package for Mr Meij for FY24 comprises:

• Total fixed remuneration of $1,786,200 (representing a 4% increase on FY23) ;
• Short term incentive opportunity of up to $1,650,000 (equivalent to 92% of fixed remuneration), 50% to be provided in cash and, subject to shareholder approval, 50% to be provided after 12 months in the form of the Right (STI)

4. Grant of Performance Rights to the Managing Director, in respect of the FY24 LTI

During the year, the Board reviewed the LTI arrangements for the Managing Director and for the FY 24 LTI grant, decided to continue using Earnings Per Share (EPS) and organic new store openings (subject to a positive total shareholder return (TSR) gateway) performance measures.

Shareholders are asked to approve the grant of performance rights to the Managing Director, Mr Don Meij, under the Plan, over Shares having a value of $3,200,000 (equivalent to 179% of fixed remuneration).

Approval of this resolution will also result in the performance rights granted to the Managing Director being included as an exception to the approval requirements of ASX Listing Rule 7.1.

This means the performance rights granted to the Managing Director, and any other Shares issued pursuant to this approval, will not use up part of the 15% placement capacity available under ASX Listing Rule 7.1.

If approval is not obtained from Shareholders, then the Board will consider whether to proceed with the grant, make the grant on different terms (subject to shareholder approval) or acquire Shares on-market to satisfy the performance rights.