

Media Announcement – ASX

19 October 2017

DOMINO'S PIZZA GERMAN JOINT VENTURE TO ACQUIRE HALLO PIZZA IN GERMANY

Highlights

- **Domino's Pizza Enterprises Limited ("DPE") announces that its majority-owned German joint venture has entered into a binding agreement to acquire the "Hallo Pizza" chain of 170 stores in Germany**
- **Strengthens Domino's leading market position increasing store count from 209 to approximately 300 – 340 and is expected to drive meaningful operating leverage**
- **Purchase price of €32 million on a cash and debt free basis. Additional €20 – 30 million of integration, re-branding, store conversion and transaction costs to be incurred over the next c. 24 – 36 months¹. Aggregate cost to DPE of €35 – 42 million²**
- **Low single digit EPS accretion to DPE on a FY17 pro-forma basis, excluding integration, re-branding, store conversion and transaction costs**
- **The acquisition is expected to close in early calendar 2018, subject to the satisfaction of conditions precedent**

Overview

DPE today announces that Domino's Pizza Deutschland GmbH and Daytona Germany GmbH (together, 'Domino's Pizza Deutschland') have executed a sale and purchase agreement with the owner of Hallo Pizza, Mr Axel Fassbach, to acquire the Hallo Pizza chain of pizza stores in Germany for €32 million on a cash and debt free basis¹.

Hallo Pizza is the largest independent pizza chain in Germany with a comprehensive national footprint of 170 stores throughout Germany. The business also includes a wholly-owned procurement and logistics business, Chrisa, which operates 3 commissaries across Germany.

Hallo Pizza generated network sales of €80.2 million and normalised earnings before interest, tax, depreciation and amortisation ('EBITDA') of €3.5 million for FY16³.

¹ Amounts on a 100% basis and refer to payments by Domino's Pizza Deutschland (Domino's Pizza Deutschland GmbH and Daytona Germany GmbH)

² DPE will be responsible for two-thirds of the aggregate costs

³ Hallo Pizza financials for the year ended 31 December 2016 and Chrisa financials for the year ended 31 January 2017. Normalisation adjustments determined in conjunction with EY and comprise the removal of expenses relating to the vendor, other general and administrative costs which are non-recurring in nature, and other items which differ under the future ownership structure

The acquisition will strengthen Domino's Pizza Deutschland's leading position and increase the Domino's store count in Germany from 209 to approximately 300 – 340⁴ following brand conversions. Existing Hallo Pizza stores will be operated on a transitional basis until franchise contracts are converted to Domino's.

The transaction is also expected to improve the profitability of former Hallo Pizza stores and existing Domino's stores for both franchisor and franchisees as stores are converted to Domino's and national advertising campaigns, social media initiatives and IT innovations are leveraged over the larger store network.

DPE Managing Director and Group CEO, Don Meij states:

“The acquisition of Hallo Pizza strengthens our leading market position and assists DPE to accelerate towards achieving its target of operating 1,000 stores in Germany. We are excited to share our innovations with Hallo Pizza franchisees to drive the customer experience and higher sales under the Domino's system”

The transaction is scheduled to complete in early calendar 2018. Following completion Domino's will work with the vendor and Hallo Pizza management to convert franchise contracts to the Domino's brand over the next c. 24 – 36 months.

The owner of Hallo Pizza, Mr Axel Fassbach, commented:

“I am delighted that Hallo Pizza franchisees will be joining Domino's, the leading pizza operator in Germany and share in Domino's operational expertise, leading innovation, and brand presence to provide even greater products and experience to our customers. We will work with Domino's management to ensure a seamless transition for our franchisees”

Acquisition consideration and funding

The purchase price for Hallo Pizza of €32 million will be payable on completion of the transaction. An additional €20 – 30 million of costs are estimated to be incurred by Domino's Pizza Deutschland over the next c. 24 – 36 months to finance integration, re-branding, store conversion and transaction costs.

DPE's share of these amounts is estimated to be c. €35 – 42 million in aggregate and will be financed from cash flow and new DPE bank debt facilities. Cost of funds will be similar to other existing DPE facilities.

Further investments to enhance and improve the efficiency of the German business may also be made.

Extension to joint venture agreement

In respect of the German joint venture, DPE and Domino's Pizza Group plc have agreed to extend the dates for the put option and call option exercise periods by one year to 31 December 2020 and 2022 respectively.

⁴ Domino's Pizza Deutschland expects approximately 45 stores from either the existing store network or Hallo Pizza to be consolidated over time due to the proximity between stores in some locations

This change will likely increase the German put option liability by a small amount. An assessment will be made at the next results reporting period.

Master Franchisor approval

The transaction has received the full support of Domino's Pizza, Inc.

Outlook

Based on the expected timing of completion and realisation of synergies, the transaction will only have a small positive contribution to DPE's FY18 underlying earnings.

DPE will provide information on its year to date performance at its Company AGM on Wednesday 8 November 2017.

~ ENDS

Craig Ryan- Company Secretary

Flagstaff Partners and DA Partners acted as financial advisers to DPE. Thomson Geer Brisbane and DLA Piper Hamburg acted as legal advisers.

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