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EDITED TRANSCRIPT

DMP.AX - Domino's Pizza Enterprises Ltd Europe Investor Day

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QUESTIONS AND ANSWERS

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Okay. It depends that most of those participants have now been included into the room. I will remind our participants tonight that this session is going to be recorded, so you can watch it again on the investor website after this session is concluded as well as you can watch the presentation and download the PDF of the slides that our speakers have presented tonight.

As is our custom, we will not be providing a trading update tonight. We provide those 3 times a year at our half year, our full year and at the AGM. I'm going to dive straight into questions. Please, if you have a question for the panelists, please add them at the chat button at the bottom. So just click on the chat button and type your question into that rather than sending an e-mail as I may miss it tonight.

The first question tonight is from Shaun Cousins, and I'll hand over to Don May. Don, the question is the European store network. The growth of fiscal year-to-date has been modest. Is it getting easier or harder to open stores at council's backlog with issues that are delaying store openings, especially in the key growth markets of France and Germany. And has COVID increased the availability of sites and how is DMP attacking these opportunities.

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

Thank you, Shaun, and welcome, everybody. Yes, we have started slower than last year. I'd like to highlight that Europe is one of those businesses that if you look at our historical averages that July and August is -- mostly of our team are on holidays and then we're back added in September.

Last year was the exception because we were in lockdown. And as a result, our teams are working because there was really not the same level of holiday as we experienced this year with the great reaction confirm is that with all of our pipeline that we're highly confident that everything we talked about in August will still be delivered.

It's just always remember for any of the more nervous that December and June will be when we open a lot of the stores. And it's just historically the way things work, Japan being exception to that. We will admire Japan and their consistency in opening stores. But for the rest of the business, you're going to see a much heavier weight in end of December and June. And because of how big Europe now is in our business, the second half will be bigger than the first half because of the July and August element. Yes, there is site availability, and we're going hard after that. We talked a lot about the investment we put in people. But I might even hand over to Andre to -- Andre, what else can you add to Sean's question?

Andrew Bradley - Domino's Pizza Enterprises Limited - CEO & President of France

Yes, no. Specifically on store openings, and hello, everybody, there's some delays with councils, but then there's more availability of locations that we find in a different market. So it's hard to give you one question. We have great visibility on pipeline, and that looks really good for this financial year.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Peter, we temporarily lost Andre. Perhaps if I -- while we've lost Andre for a moment, if we hand over to Stoff to talk about your store pipeline.

Stoffel Thijs - Domino's Pizza Enterprises Limited - CEO of Germany

Yes. Thank you, Nathan, and good evening to everybody on the call. Our store pipeline, we've opened 7 stores so far, which is a bit slower than last year. Some delays, also some COVID-driven from local councils, but our focus is the same. We see no issues in getting to our planned openings. Just a bit later than expected.

We probably were a bit over enthusiastic for the first couple of months of this year. And as Don said, we see a very strong pipeline, especially when you compare this year's pipeline to where we were same time last year. There is a significant difference in -- even with last year's pipeline, we've opened a lot of stores in the second half. So I'm bullish on that.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Okay. The follow-up question is -- and I've had a few people already asked this question on labor access. So it easier or harder to get access to recruit staff? What's the advantage Domino's enjoys being vertical compared with aggregates that use third-party labor?

It has been an issue that's been called out across the Domino's system and indeed the industry generally. So is this a challenge for DPE in Europe? And what are the implications?

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

Yes. Definitely, the labor market has tightened, and we talked about that in August, and we do expect that to continue to tighten. One of the things that was the trend pre-COVID and now as we've reopened is that more and more things are going to be delivered. And the access to team members will continue to get more challenging. So that's something that's talked constantly about in our business.

One of our strategies is how do we widen the pool that we can access. For example, the delivery business has historically been male and it's mostly been on scooters or in cars. Electric bikes dramatically increases our access to the number of female riders that we are able to bring to the business. We'll also get a slightly younger audience because we're also providing the vehicle, it also expands the access to a wider audience.

And then we're continually focused on our efficiency and making sure that we continue to remain the most efficient operator. But I might even hand over to Misja, who's -- maybe can add some color from a Dutch perspective on his market, just to give you some more granular view.

Misja Vroom - Domino's Pizza Enterprises Limited - CEO of Netherlands & Belgium

Yes. Thanks. Hello, everybody. For the Dutch market, of course, we have challenges for the labor market as well. But it's not another challenge, as we've seen earlier in 2008 and 2012.

And as Don says, a big part of our competitive advantage should be that we are far more efficient than competition. And that will help us to be able to pay people more and therefore attract them easier. So it is a challenge, and it will be a challenge, and it will stay a challenge for the next couple of years.

But as everybody, there is a tremendous amount of people on the road nowadays to deliver food, packages and everything in the Netherlands. But yes, it -- we will take the challenge, and we will over win there.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Thanks, Mr. Misja. I'm delighted to hear a couple of questions in the chat on go tonight. What are our plans to build dough making capacity in each country? How does the profit unit economics vary when dough is made back of house versus centrally? And do we need to invest in a German commissary to align dough with other markets and drive cost efficiencies?

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

I'll start from a bigger picture, and then I'm going to hand over to Andrew Bradley, who's doing a lot of projects and the biggest -- one of the bigger geographies is France. We won't be building a commissary in Germany. The German model is almost identical to the Australia, New Zealand model. It's a back-of-house, pan dough style market. Pan dough is a very live product, and it's far more suited to a back-of-house model, and it's very, very efficient and builds almost exponential capacity into those stores.

The hand tossed market or the hand stretched market, which is more your -- the Benelux, France and Japan, of course, Denmark is a hand stretched market as well. Yes, commissary so far has been quite efficient. But one of the ways we're staying ahead of that is in Project Gulf and a new 12-day yeast project. But I'll hand over to Andrew Bradley. He's heading that up and he can talk about our capacities today.

Andrew Bradley - Domino's Pizza Enterprises Limited - CEO & President of France

Yes. Thanks, Don. Good evening, everybody. Yes, on the dough project, I think you saw in the film earlier on, some of the robots and things in the commissaries that we've used. We've -- originally all those things were done manually. So we've done 2 stages, really one is to increase the efficiencies. We've gone from manual to automated, which increases speeds a lot.

In France, we've always done the commissary model. We have 2 commissaries in France at the moment. And the idea now is to say, okay, in terms of some of the -- as well the ESG issues is to how can we deliver that more efficiently, and though we've done what we call the Gulf project where we've gone from now having 6 or 8 dough balls in a tray that we deliver, we are now -- we'll be moving to that in early calendar '22 to getting 18 dough balls into the same tray.

So obviously, in terms of the efficiencies, in terms of distribution, there are some big advantages in going with that model. And then as Don mentioned, we've got a project a little bit further out to have a longer shelf life on that, so as we can then reduce the number of deliveries to stores.

So this is a big multiyear project to optimize the logistics and the production facilities for the commissary. But that's our model, right. There is, as Don said, this other model in Germany, Australia, where the back-of-house dough is common, both work, both are profitable. It just depends on the background of the market, I think, and then question of geography as well.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

In terms of commodity supply, given the numerous countries that we're in, what stocks can and can't you centralize and how would that cost structure evolve compared to Australia.

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

I'd hand over to John Harney. We're very fortunate to have John on the call, so as our Global Head and based in Europe.

John Harney - Domino's Pizza Enterprises Limited - Group Chief Procurement Officer

Yes. Thanks, Don, and good evening, everybody. Yes, in terms of stock management, it does follow a very similar pattern to Australia in that we spoke and wheel where we have multiple suppliers around Europe. They're storing at their own facilities, then they're storing it possibly intermediate facilities and then we're storing at our facilities. So that's how we're sort of ensuring that supply.

As I said in my presentation, our stores themselves can't store a lot of product in the store, so we actually store upstream in the supply chain. So it's a mix of -- in our facilities and in theirs and we have quite a lot of stock or security of supply in that supply chain.

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

And probably one of the things of joining both questions, Nathan is that because the Paris commissary and our new commissary just outside Utrecht in the Netherlands are relatively new, we've got many, many years ahead with capacity. So the 2 biggest facilities that we've built in recent times, I'm literally talking to you from our Dutch facility and fortunate enough for the first time to see it since it was constructed and oh my gosh, you know what, it's significant.

So few team members required to operate it. It's just something special. I remember back to the first commissary when we arrived in the Netherlands and you had one truck base. So trucks are delivering food to us, and then we're going out of that same day and exiting. Well, the Dutch commissary today, which also serves Belgium and Luxembourg is 25 truck base, robots in various parts of the business and the size and layer of equipment and the redundancy for the equipment there's always a backup piece, which we couldn't afford back in those days.

Now the cost of those redundant pieces is such a little cost in the whole facility. And so there's just so much more depth, so much more ability to expand. So yes, we're going to be -- we're forecasting 800 stores for the Benelux, and this facility here we will voluntarily see it well into the future. Of course, Misja and Ringo intend to do more volume.

So hopefully, they'll put that commissary under pressure over time beyond just the store count. But we're very, very fortunate. That the one place that we think about is the South of France for the future because it is subeconomic for us to be servicing into the southern part. So we think about that and other strategies of the future. That's not imminent, but it is on our long-term road map.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Thank you for that. Just in terms of -- and again, I reiterate that we're not providing a trading update. But can you provide some comparison about the stages at which Europe is in relation to COVID? The unlocking or the locking, it's sometimes, I think, difficult to get a context from Australia as to how Europe is faring with COVID.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

I know Andre can add, but I might even wrap around and start from the north with Kellie, talking about where Denmark is at. It's probably the most open and then we'll go through the rest of the business is just a very quick reflection, starting with you Kellie.

Kellie Taylor - Country Manager of Denmark

Thanks, Don. Hi, everybody. Yes, for us, there isn't any more COVID in Denmark apparently. We have no more restrictions at all, no masks, no passport. They've just recently dropped the color coding for traveling between countries. So we are 100% back to normal in Denmark.

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

Over to you, Stoffel.

Stoffel Thijs - Domino's Pizza Enterprises Limited - CEO of Germany

Yes. The Germans are a bit different than the Danish when it comes to COVID. We're a bit more -- probably unlike a bit slower. So we've got corona passports. Restaurants are open. There's a choice for a restaurant operator or a bar operator, if you could go 2G or 3G, 2G, meaning that somebody is either recovered or has had the shot of the vaccine.

Then there's a bit more liberty if you go for 3G, you can also let people in who have been tested, then there is still the distance rules and all these public transport and shops, we still wear face masks.

So yes, and then the other thing probably to note is that range not on a national level, but on a city level. So if on a city level COVID numbers peak, there might be more restrictions than in other cities. So very locally managed.

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

Misja?

Misja Vroom - Domino's Pizza Enterprises Limited - CEO of Netherlands & Belgium

So it's -- for the Benelux, it's even varying amongst the countries. So the Netherlands, most of the restrictions gone. There is a limit to what time restaurants and bars and night clubs can be opened. So you have to drink everything you can before 12:00, but no masks.

There is a vaccination pass. Then if you look at Belgium, Brussels has a vaccination pass, Flanders doesn't. Wallonia doesn't either yet, but it probably will have by November 1. And then in Belgium, there is still a mask obligated in public transport. So as you can see, there is a lot of different measures around the countries. I'll hand over to Andrew now.

Andrew Bradley - Domino's Pizza Enterprises Limited - CEO & President of France

Thanks, Misja. Yes, pretty similar to Germany here. Basically, we -- you need to have the passport, to be able to get into restaurants, bars or cinemas and in fact, big commercial centers as well. So that's pretty much needed, but 85% of the population is vaccinated, masks as in Germany on all public transport and inside any buildings, you need to wear it. There's quite a lot of restrictions on the offices as far you have to keep certain distance between people.

So I think for the moment, it has kept things underway. I think overall, if we look at the question in Europe is with the autumn coming on here, which is more let's say, open to COVID traveling around a bit more. I've seen in the U.K. where they've recently had a spike in the U.K. So I think the impression here in France is so far so good, but we're not out of this yet. I think I could sum it up by that.

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

And maybe, Andre, I think one of the questions relates to that. The movement in pickup and delivery is we're still living with COVID, with all of these things that are varying, maybe give some color for investors.

Andre Ten Wolde - Domino's Pizza Enterprises Limited - CEO of Europe

Yes. So we definitely see that customers feel more comfortable going into our stores. But I wouldn't say things are back to normal. Universities are still restricted with the number of people they let into their college halls. The bars and restaurants in some markets still have to close at a certain time, in Netherlands, for instance, 12:00.

So saying it's back to normal, that's just not the case. There's -- in various countries, there's still a lot of pressure on the health care. But we're seeing a movement back to what the percentages that we used to have in the business. But still delivery is -- is still high, but that is in line with what we are saying about the age of delivery. So that doesn't necessarily have anything to do with COVID. What we -- we've stated this before, delivery customers and carry out customers, I think the number for the Benelux is that there's a 12% overload to the two. So they are very different customer base.

And then there's the bigger cities like Paris and Amsterdam, where tourists are just not there in the amounts that they were there. Still lots of people that live there choose to go outside of the country, outside of school days and stuff. So it still is materially different than before COVID.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Thank you for that. I've got a lot of questions. I'm going to race through them. So the next one is from Craig Wolford. Is Domino's changing its view about the ideal store size in Europe? For example, stores in Germany are smaller and more suited to delivery. A smaller store is the preferred path for openings across Europe. And then the associated question with that is, can you talk through the payback period for franchisees by country? In Europe, where are they at? And what steps is Domino's taking to improve it? Perhaps over to Andre for the one.

Andre Ten Wolde - Domino's Pizza Enterprises Limited - CEO of Europe

Yes. Thanks, Nathan. Yes, we do have a different view on the size of stores as we tell you. We think that we're in the age of delivery, and we act accordingly also with store build. What we don't compromise on is location of the stores.

We still want visible stores. So our experience is that if people know that we are trading, that we're opening, that the stores look good, that's fewer marketing. So we're not going to the back streets and call the sacks to open stores because we don't think that works and people need to see that we exist even for delivery. And as far as return, I will hand over to the individual CEOs, and I'll start with Stoffel because Stoffel has the bragging rights of having the best returns.

Stoffel Thijs - Domino's Pizza Enterprises Limited - CEO of Germany

Yes. So our franchisees are now having a close to 3-year return on their investments. So that's also one of the reasons why I'm bullish on the -- on our pipeline. Because there's a lot of demand from franchisees because over the time the investment has got a lot better for them and where early days, they were used to building Joey's, most of them Joey's, where a lot of people thought which were way cheaper than ours because of a less equipment that weren't set up for the volumes we do.

So we first had to show them that you can do the volume and what the return on that is in profits, and that's what we've done. So that's where we sit today. Handing over to Misja, if he's still there.

Misja Vroom - Domino's Pizza Enterprises Limited - CEO of Netherlands & Belgium

Yes, still here. I'm kind of in the shade of the big guy, but same as for your total close to a 3-year return. And also a big appetite, we are still growing a lot of franchisees from within the system and our current franchisees are also willing to grow. So no worries on that part. But we have to keep it that way.

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

Andrew?

Andrew Bradley - Domino's Pizza Enterprises Limited - CEO & President of France

Yes, a similar situation here in France. We are on the 3-year, I think there's a couple of points. One is we're doing bigger openings than we did at one stage, and I think this is coming just from the power of the brand. We're going into some smaller places and getting really big volumes out of some places, which we've been surprised, to be honest, at the size of some of the launches we've done.

And I think that's just the power of the brand to growing, which has also shown us that there's a lot of places we can go, which probably a couple of years ago, we wouldn't have looked at. I think the point about the store size is a good point. I think you can get carried away when everything is sort of working well in everything. And some of our franchisees were wanting to kind of build the Taj Mahal. And we've said so that's not what we do. We don't want these massive everywhere. You can have some sort of symbolic big stores in places, but you've got a lot of workhorses. We're a delivery company. We don't need a huge delivery and carry out. That's what we do. And for that, you don't need a big footprint.

And that obviously helps as well get the better turnover. As with Misja, the vast majority of our stores that we're opening this year will come from existing franchisees plus our emerging leaders, the young people coming through the business, which go through our preparation program to be franchisees. So it shows us the appetite because they are getting the returns they want.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Let's talk competition. A question from Ben Gilbert, what's your view on New York Pizza entering Germany via a quick roll up of 3 changes in the past few weeks led by an ex-Joey's exec? Do you think they could take prices lower? And how do you respond?

An associated question just for some general commentary on our approach with aggregators at the moment, what we're seeing in terms of both its competition and working with them. If we hand over to...

Stoffel Thijs - Domino's Pizza Enterprises Limited - CEO of Germany

So I think can Nathan...

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Yes. If you hand over to you for the New York Pizza question first?

Stoffel Thijs - Domino's Pizza Enterprises Limited - CEO of Germany

Yes. Thank you. And thank you, Ben, for the question. As you wrote, it's a competitor we know quite well, new York Pizza from the Netherlands and it's led by a person we know quite well as an ex-Joey's executive and also an ex-Domino's executive. So we know how to deal with New York Pizza.

We welcome any sort of competition -- the -- so that it makes the whole category stronger. We haven't seen New York Pizza take their prices lower than ours. I wouldn't see how they would do it in Germany because we are very competitive.

And we are running high-volume stores, efficient delivery territories. We've been ongoingly making our delivery territories a bit smaller, bit more efficient, so that our customers get great value. And I wouldn't see any need for a change in our strategy there because it's proven to work well. And that's also why we're #1 in the Netherlands. Misja, you got anything to add to New York Pizza since you've been working with them the longest?

Misja Vroom - Domino's Pizza Enterprises Limited - CEO of Netherlands & Belgium

Yes. Thanks, Stoffel. New York Pizza, of course, they are around for a long time. As already when I was a franchisee, they were around, and I always liked to get one of their stores closed.

But when DMP entered the market in 2006, we were a little bit smaller than New York Pizza, so they had like 10 stores more, I think, or maybe even 15. And if you've seen see what we've outgrown to now, then we are practically 100 stores bigger.

I think it's very good to have competition. They are a little bit higher priced, which makes it for us easier to deliver better value. But we need competition to stay sharp. So therefore, I think it's good that they're around. I know them pretty well. And yes, it's -- they're doing a great job, but we have to be better than they are. Handing over for aggregators to...

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

Probably before you dive into it Andre. One thing to add there is because you've probably all read the announcements of the change that New York Pizza has bought and I highlighted this also in my presentation.

We have -- especially when we bought Hallo Pizza, we really put a motor on our business in terms of our store count and the number of fit as we sell. So even if somebody comes in and buys a few smaller chains, it still makes them a very small version of us, where we are still a very small version of -- we will be because we're under -- we're an infant in the massive pizza market that Germany is.

And our track rate of opening stores is higher for a year than any of these individual chains that have been bought. So that's where the numbers game is also in our favor. On top of that, the businesses that we built we now have higher volumes, higher sales volumes, significant higher sales volumes than those businesses that are bought. Andre?

Andre Ten Wolde - Domino's Pizza Enterprises Limited - CEO of Europe

Yes, on aggregators. The question was is it competition or a partner? Well, obviously, they're both. We play to win within the aggregators once a customer has entered the aggregator, we would love their business. But it's the same. Once a customer enters Google, we want their business, too. So we make sure that our ranking work, and that's exactly the same thing we do with aggregators. We stay close to them. We work together with them, and they deliver us sales.

Also there, I talked about the difference between carry out and pickup. Also there, we see a little overflow of customers from aggregators to Domino's and vice versa. It's a different customer base. We've seen in all markets is that they have their struggles. Struggles with getting staff, struggles with legislation. They now have to pay normal wages in most of the markets, and they have to earn that money back and they've increased fees everywhere. Prices on the aggregators are -- compared to our prices really, really high.

And we see that they -- their strategy sort of is -- the normal prices are really high, but then they're really aggressive with getting you back on the aggregators. If I gone to France and then I'm not there for 4 weeks, during those 4 weeks, I will get a lot of e-mails and messages from the aggregators saying, I'll come back and we'll give you EUR 15 discount or 50% off your next order.

So they're really playing the game of keeping those customers and enticing more customers in. We see that they are aggressive in media spend, various types, sponsoring of football clubs, sponsoring of leagues, TV commercials, outdoor. So very aggressive and they all play to become the biggest we've seen in France. For instance, Uber Eats was the dominant player, but we now see Deliveroo being very aggressive and growing.

So we haven't really changed our strategy there. We still play to win. We -- if the customer goes to an aggregator, we would love them to buy from Domino's. We've put a lot of money into getting a better integration. That's a digital integration with the system. So it's easier for stores, but also quicker for the customer.

So not a lot of change there. I can imagine that they struggle. We see -- if the weather is bad, they struggle getting staff, and that is actually better for us then because we are -- we have staff that is just rostered and will show up. Not a lot of big changes. Our strategy there is still the same.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Thank you for that, Andre. A question we talked briefly before about labor prices, labor costs. There are signs of emerging significant food cost inflation globally. DPZ also called out similar issues the other day. So is this becoming a significant challenge for DPE?

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

Yes. Thank you, Nathan. Yes, so we will see inflation in ingredients in the first half of next year. One of the benefits of having long contracts is that we've got pretty good visibility into what that's likely to be like, and I'll get John to add a bit more color to that.

But the way we see this is combined with labor. We look at 3 different strategies, cause labor is longer, the long strategy is continuing to invest in 310, which continues to help to make us more efficient. But in the near term, we look at 2 other things.

So one is optimizing our basket because price isn't simply about just you get a peperoni pizza and charge a $1 more tomorrow. If you keep doing that, then the whole category shrinks and you drive people into other categories. So instead, we look to value add the basket. Ultimately, if the customer feels that they're getting more in that and can justify that, and that will become more evident as we roll out a number of products and basket promotions next year. We'll be able to point more directly at that.

But we -- one of the benefits of having 10 markets is that we're constantly sharing all the learning around that basket optimization, and I'm highly optimistic about the success of that. And then if we said that basket optimization is more of one of the near-term strategies that we can apply. And one of the midterm strategies is better yield through our software.

So using -- we've got a number of different projects to use cognitive thinking of AI to optimize also our orders. And once again, they'll become a lot more evident next year. But that's not something we turn on from January. That will be more into -- well into the second half of testing. So basket optimization, using technology and then ultimately, 310. 310 is the decade-long strategy because it isn't something that is overnight. It's constantly working through a number of initiatives, getting them implemented into the business and that continues to help to make sure that the most efficient player will be Domino's, and that will be one of the reasons we win over this coming decade. But John will granularly -- I'm just talking about soft commodities, anything I've missed there.

John Harney - Domino's Pizza Enterprises Limited - Group Chief Procurement Officer

Thanks, Don. Yes, no, you've probably covered it really well. I think it's that total value chain that we're focused on to continue to deliver value to the consumer. But just in that commodities area, there is absolutely no doubt that we're heading into a pretty challenging inflationary period for the first 6 months of next year.

As you rightly pointed out, the ways we look to insulate ourselves as best we can is with those partnerships we have in place. We have long-term relationships and that not only, I guess, protects us from some of the volatility of the market. But in the example of, say, our cheese manufacturer because we have a long-term relationship, they can invest in the latest technology. And that was a Brexit play in neural honesty, but it's also brought to us a whole heap of efficiencies in the dairy space.

So that mix of long-term partnerships tends to take us out of that full exposure of the commodities market. And the saying is we're all in the same boat. Actually, we're all in the same storm, we're just trying to build a better boat than everybody else that drives efficiencies in our business. And then, of course, internally, as Andrew commented on we're driving projects like Gulf to optimize the efficiency of our distribution model. So we're pulling all those levers as well.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Thank you, Peter. We'll spend a little bit of time on M&A because there's a number of questions I've got to get through on this one, not surprisingly. So the first question from Alexander who said that Andre's very last sentence in the video is to say there may be opportunities in Europe outside of the 6 markets you're currently in? Do you feel management capacity and the time to take on these new markets?

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

Yes, we definitely have the management capacity. So that's one of the things. I mean, I think, hopefully, what shareholders get a window into is the depth of leadership. And even in the rare times when we've seen an executive retire, we're fulfilling that role with another veteran in the business. An example is when Andre stepped up to replace Andrew Rene just a couple of years ago and so on.

So we feel very confident that we've got a really good depth. All M&A for us requires besides the fact you've got to have willing partners and so on and that it's an acquisition target that we've been approved for. But you need to be able to have that leadership, that's front and center for Domino's Pizza in the U.S. to feel confident as well as our Board, of course. We've got to have a strategy, every market as much as it's high volume and taller that we can apply on digital and all of these sort of things, our buying power. So we've got a lot of good things working for us, but each market does require a different strategy, a different look.

I still remember today that France and the Netherlands is 200 kilometers apart and France food is pizza's feminine and food is life. And at that time, food was fuel, although that has now changed in the Netherlands. It's a much more different food market than it was back then. But food was fuel and it was more masculine and yet they're neighbors as countries, and so we do have to come out with a different strategy.

I can say that we've never been more active. That's a genuine statement that we've got more irons in the fire than we've probably ever had in our history. Of course, it's still opportunistic and you've got to get them over the line. So we're hopeful, but we can't obviously guarantee until the deal is done. But yes, we have the people, we have the strategies for each of those. And of course, the last piece is capital and that goes without saying on the conservative nature of our balance sheet today and the facilities we have.

Then the acquisitions, by the way, could be a brand new market. We talked about some Montreal primary, but we're still also still active inside markets with potential conversions of change. So Andre, anything specific on Europe going to add to that without -- I suppose you can't really say the target.

Andre Ten Wolde - Domino's Pizza Enterprises Limited - CEO of Europe

No, no. Maybe I'll hand over to Stoffel and -- because he's been close to the acquisition in Germany that we've done. And obviously, he has something to say about the 3 acquisitions that New York did and whether we looked at that and why we didn't buy that. So Stoffel, over to you.

Stoffel Thijs - Domino's Pizza Enterprises Limited - CEO of Germany

Yes. Thanks, Andre. Yes, a solid question, why we didn't buy those chains. We are open to any sort of acquisitions, whether it be countries, new territories or within our territories. And we've looked at every single one of these chains. And for various reasons, they didn't make our short list, which tells you there is a short list.

And we're always open to this. But my main focus, as I said before, is organic growth. And I'm always open to speak to others, especially since in the massive pizza market in Germany, all of these chains are a bit smaller, a bit more regional. They could be really good bolt-ons to us in territories where we aren't that penetrated yet.

So I've got an open mind to these sort of things. And I'll probably connect and answering your question, which is somewhat related to these conversions because we are kind of the experts on this now the question asked, is it harder to put HVM into these stores, into these converted stores other than the new build stores coming from Alexander.

And it is -- it was one of our main focuses in our 3-step approach, where we said, one is physical conversion to get HVM into the minds and the souls of the people. And what we see today, and Don broke it out last year that last year, there have been several weeks where actually Germany had the highest sales per store for the whole group of DPE, which kind of tells you that HVM has arrived.

Obviously, as in any country, there are early movers. So some guys get us from the get-go, others take a bit longer. And it's actually nice in the back. I've broken out Schwerin city in the north of Germany where these are probably fair to say it's very good operators, but more conservative. It took them a bit. They've looked a bit at our strategy. And when they switched it on, you could see how their market now is just red hot, and there's no signs of that stopping yet.

So you can see how HVM is working. So yes, in this case, Schwerin, it took a bit longer. But a consistent message from our side. We've seen that this is what's made us successful in other markets. And then obviously, the best thing is that we see your colleagues inside of Germany be successful with HVM. And that's probably the #1 reason for people to really get interested there.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Thank you very much, Stoff. The next question was from Craig. Is it still the case that Netherlands is the most profitable market for DMP in Europe? And if so, how does it generate such a great profit when its AWUS' is slightly below the European average. You can see some bragging rights for this question.

Andre Ten Wolde - Domino's Pizza Enterprises Limited - CEO of Europe

Yes, Nathan, let me take that because it compares all the markets. Yes, Netherlands used to be -- what it tells you is that a very efficient lots of stores in a small footprint market is -- can deliver the highest recharge. But as you note, the AWUS' in the Netherlands are not as high as they are in Germany, for instance, so now Stoffel took over the bragging rights just because of the -- just the store efficiencies with the high-volume stores with high sales.

So it used to be -- it just tells you how the more efficient -- this is why all the things we talk about with fortressing and building out the markets that's why this works because even with relatively lower AWUS' you can still be the most profitable market, if you have the most efficient system and most efficient network. Stoffel, maybe you can add some color on way you to go over the bragging rights from Misja.

Stoffel Thijs - Domino's Pizza Enterprises Limited - CEO of Germany

Well, it's the -- it was always the plan that we should be able to make more money with a territory which is -- if ablation that is more than 4x bigger and people that eat more pizza. So that was always the plan. I think that the Netherlands had done an amazing job bringing it where they were. And we've spoken multiple times about different markets overtaking.

And we come from the past where Australia was bringing the vast majority of our profits and the whole strategy to breach out into Europe and later into Asia was that we knew that we couldn't keep the growth at the same rate. And now we've seen over time, other markets take over, whether it be the Netherlands, whether it be Germany.

So yes, it's a part of the plan, and it's part of the strategy that we apply in all countries. So I love to take all the bragging rights, but it's not that we've done anything special. We've just executed on the plan that we created at the start and which has been successful in Australia, successful in the Netherlands and it's been successful in Japan at the moment, in Germany at the moment. We will be successful in any other geography where we go into if you'd ask me.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Thank you, Stoff. So you've had huge success in the Netherlands, a great start in Germany and France has underperformed over the years. So has this been about execution or is it cultural? Why hasn't France performed as well as other markets?

Andrew Bradley - Domino's Pizza Enterprises Limited - CEO & President of France

Well, as you can all imagine, I don't like the word underperformed link with France. So let's deal with that one. No, I think -- I mean, if you look back in the history of France, we had a pretty bumpy ride at some stage. I think the franchisee group here have been through a lot of stuff historically. It's quite difficult. And the job was really to settle that down. And we've seen as we settled out there, we are 95% we go through franchisees, so that managing that network is really important.

And I think that if you look in the most recent period, what we've only settled that down, got it back on track. We've got a lot of young franchisees coming in who are pushing and some of these came from the French acquisition that we made. So I mentioned that often, but we've got a really good base of young franchisees now coming into the business. And I think you see last year, we had record openings and things we were able to do last year.

I think we're -- we call ourselves perhaps a slower burn than some of the others. But this is still a massive market. It's very, very fragmented. We are still -- even if we are by a long way, the #1 pizza brand. We still have a small pizza brand as I tried to show in the film everywhere here. We battle every day to do that.

I think the brand today, as I mentioned, just the openings of brand, has become much, much stronger. Relatively, we've had less media than places like the Netherlands, for example, where proportionally we've had less media. Now we're building that up. The brand is getting much, much stronger, and we're able to drive different performances than we were in the past.

So I don't like some -- France being underperforming, but keep looking in the future. That's not a word you're going to be putting against France in the future, I think. So we're fixing that.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Thank you, Andrew. Question in terms of Denmark. Do you think the Domino's brand can never be fully rehabilitated in Copenhagen? And then was there any contagion from the reputational damage in Denmark into neighboring Germany? So perhaps, Kellie, for that one.

Kellie Taylor

Thanks, Nathan. Yes, I think that we are -- we definitely can and we are rehabilitating the brand. I think that I spoke about this in the presentation that -- the first couple of the years have really been focusing on making sure that we are strong in our operations and that we are delivering what the customers expect. And we are definitely doing that.

So now it's about getting that message out to customers, which is the next phase. We're confident in what we're doing, and now we just need to share that. And our market research tells us that it is working. It's slow and it's very hard work, but it's definitely making a difference. And in terms of whether or not -- Stoff you can talk to this too, but in terms of whether or not it affects Germany, I think one of the best and worst things about Europe is the fact that all of the countries are unique and different languages always create a boundary that is helpful sometimes.

In this case, it's been very helpful. And in other cases, not so much. But people tend -- Germans don't tend to speak Danish. So the news -- the Danish news haven't filter through as much. So my feeling is that it probably hasn't made its way to Germany stuff.

Stoffel Thijs - Domino's Pizza Enterprises Limited - CEO of Germany

Yes, spot on. I think the language is a big part of it. And actually, Schwerin, the city that I broke out in the back is North Germany. It's more northern than Hamburg. So it's actually pretty close to Denmark, where you're doing very well.

We've got places like Rostock and (inaudible) where actually the boats towards Denmark go, where you see the biggest spillover, we actually celebrated (inaudible) as award-winning franchisees for their success. Rostock is one of our most profitable and biggest markets. So actually, where we're the closest to Denmark is where we are the strongest. So I don't see any evidence of that in our numbers.

Kellie Taylor

So hopefully, it will come the other way.

Stoffel Thijs - Domino's Pizza Enterprises Limited - CEO of Germany

Here we go. I'll throw some at you.

Kellie Taylor

You can help us.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Thanks, team. Now the next question is in terms of can we speak to the benefits of scale, being able to advertise nationally because of that scale the DPE now has and maybe some color around the kinds of sales benefits you get when you begin national marketing.

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

Yes, I'll hand over to Andre because Andre starting our business, in effect, was a CMO and built the brand initially in the Netherlands. Without a doubt for whatever reason, you can still relate to today in a more fragmented digital world, still mass advertising is a differentiator. And if even more so in places like the individual European markets because you've got to buy national television. Unlike Japan, Australia and New Zealand where you can buy really regional small towns like Tamworth and you can have a television signal, we just opened 2 stores and be on TV.

You can't do that in Europe. So it changes the whole dynamic and the whole perception of a brand, not only just for what grades with our sales, but what it also does for employment for our head office and the professionality of the brand. But Andre is our expert in the room. So over to you, Andre.

Andre Ten Wolde - Domino's Pizza Enterprises Limited - CEO of Europe

Yes. There's no question with scale, we can afford more media and we do. We're always really amazed by the very intricate media mix modeling that we do in all the markets as things like national TV are still so working so well. But most of the times, that's also because we are the only pizza brand on national TV.

Yes, we compete with the burgers and we compete with the aggregates. But in most markets, we are the only one that can afford national TV. Even when we took over the 2 brands in Germany, we actually had to chip in ourselves to be able to go on national TV. That worked really well and convinced franchisees that they -- this is a good model and will work.

And -- but there's never ever been a competitor pizza brand on television in Germany because the threshold is so high. It's a serious, serious investment, and you need a lot of stores to be able to afford that.

And the second part on that question, do we get benefits from operating multiple countries? Yes, we do. But it's more in the sense that the Netherlands does a lot of marketing activities for Belgium, that is creating the leaflets and the message we share product shops and we share ideas. It doesn't work on actually buying media because buying media is definitely an in-country thing.

And -- there's -- even with the bigger media groups like RTL here in the north of Europe, they don't have a European sales team. You can't talk to them like that, unfortunately. But for the rest of the way we share all the creatives with Denmark and with Belgium and Luxembourg, that is definitely a benefit for us.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

And in terms of Andre, perhaps managing across the benefits of those business. how do you measure and manage performance in terms of leadership? So KPIs for country managers, how do you kind of look out over a long-term basis as to what people's performance is measured against.

Andre Ten Wolde - Domino's Pizza Enterprises Limited - CEO of Europe

So just to make sure I get the question right. Is it how do we look at this group of people, the leadership in the markets and how do we judge their performance. If that's the question, I can answer that. Obviously, we look at customer growth, order growth, which translates into sales growth.

That's our main focus because sales are a cure for a lot of problems that we have in the market. Everyone on this call is judged by franchisee profitability as one of the key metrics that we look at. Obviously, this is not a surprise of store openings, growing the business is one of the key metrics.

And actually, what we've added that over the years is a couple of ESG targets these days. Every CEO has his ESG targets on the various things that we look at, our people, our customers. So we -- that's part of the metrics that we just see among too. So I think I covered most of it. I'm not sure, Don, if you have anything to add.

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

Well said.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

So unexpectedly and pleasingly, Don, as everyone has noted, has actually been able to be in Europe for this Investor Day. So one of the questions has been how much done of your current international trip is set to be spent managing the existing business versus exploring new regions, which the company may look to enter?

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

Yes. Thank you, Nathan. The core reason for me to be outside Australia to get permission from the government has been for acquisitions. So -- and that's not exclusively in Europe, so I've been in other parts of the world. So that's the core reason for me to be away. But an absolute bonus to be able to come into the Netherlands. On my previous trip to Europe, I was able to get in the Netherlands due to COVID restrictions, and it's still the pan-European global or European office. So being able to access far more of the team when I'm here, yes.

So for all the things that you can do over Zoom, nothing replaces the dynamic of conversations and seeing. I visited this big facility when it was under construction, but to now see it and see, it just gives you so much confidence and our ability to fill this big facility as well. So there's huge benefits seeing products in over 2 years, the change, seeing new competition in the delivery segment.

One of the things that Australian investors wouldn't have seen yet is the huge rise in the 10-minute supermarket delivery business, which there's 4 players. And they're in the delivery business, so there's an immense amount of observation and learning that you can see firsthand. You can read about it, but watching it and almost participating in it gives you another level of learning. But in summary, yes, the core reason for me to be away in the various parts, not just only Europe on my trip has been around M&A potential activity.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Thank you for that, Don. Next question in terms of store rollout, if there's any access to labor issues for store fit-out teams or any issues with accessing store fixtures or technology, for example, chips in kiosks, for example, I know there's been some supply chain issues in relation to chips around the world. Perhaps Don first.

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

Yes. Look, we're under constant juggling pressures to keep ahead of it. Now I'm going to hand over to John and because I want to give John a lot of credit in that. It hasn't stopped us doing what we need to do. And so for many of us, we are aware of the stress but John's team make it look a lot easy and that really is because sometimes it has added a little bit more cost as well for some of that equipment.

On the relativity of getting a new store opened, we've -- you have much rather have that store opened, but it has added a little bit of cost in the way we've had to get some of that equipment and from different vendors around the world. But great -- thanks to John, not only keeping all of our menu is constant throughout the world and John and his teams. But also, we've been able to open the stores we have and expect to open the stores if we will, because of the way they'll be navigating it. But maybe John, some of the challenges, and now you've got with it.

John Harney - Domino's Pizza Enterprises Limited - Group Chief Procurement Officer

Yes, I feel like a duck a little graceful above the water, but pedaling furiously underneath. Yes, it's all the usual tricks. I mean, it's -- again, it's partnerships. We don't chop and change. We only have -- not only we have some key equipment partners globally. We work with them extensively.

We're big parts of their business. We're building stocks in Europe of things like ovens and make lines to pipeline fill their store builds. As Don said, there is increased costs. Just getting things on planes, trains and automobiles is costing more at the moment, but that really fades to insignificance versus an unopened store.

So we're absolutely focused on getting those new stores open. And honestly, it's a team effort, very kind words from Don. But we have very experienced teams in markets constructing the tools, selecting the locations, training franchisees. There's a massive pipeline of capability, which allows us to open those stores. And then on the food side, we're keeping the food up to those stores. So -- and that's, again, just working with those key partnerships.

I know I keep banging on about partnerships, but it really is in these very, very challenging times, it all comes down to partnerships, and we've got good ones.

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

One of the questions, Nathan, I can always preempt from what does the cost inflation look like for a store and just preempting that is it's just time by coincidence that this has happened. But one of the earlier questions about the size of the store format. Because we're shrinking the size of the store format, actually, our costs were coming down.

And so now with cost inflation in some of the equipment, we're still net-net, in most cases, still at a lower build cost than we were just 2 years ago and a lower operating cost because one of the other benefits of the small footprint is lower utilities, lower maintenance, maintenance not only are in repair and maintenance, but also operating maintenance. We've got large foyers that a customer foyers with tables and chairs and so on, they've got to be constantly cleaned and maintained.

So we were fortunate enough 2 days ago to go to one of the 3,000 store opening series around the world. And to me, was the optimum store for the Netherlands in most cases now. We took a shop, which was our typical size, but what we did is we shifted the whole shop to the front of the shop, we would have normally -- and then we had a far bigger store at the back. So smaller foyer.

And then when I looked at that build cost much lower than our averages 3 years ago despite the fact that the equipment in that store costs more. And without a doubt, that still is going to be far more efficient from an operating cost carbon footprint measure and so on. So hopefully, that helps to answer that. And also in my experience in Germany, just a couple of months ago, some stores, we started to open -- when we first did our first stores were the very big stores of these huge foyers.

But the ones I've got to observe that we are opening the newer stores are yet far more optimized with this smaller footprint build, and we're just driving down the total cost to build as a result of that.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

I expect we probably -- I can't take any more questions, but I've been able to secure the speakers for a little bit more time, so we can get through the questions that we have in front of us. The next question, I know Misja talked about the very tight rush times that we have with more people working from home or we're seeing greater appetite for pizza at lunchtime.

Misja Vroom - Domino's Pizza Enterprises Limited - CEO of Netherlands & Belgium

Yes, if I can answer that, Nathan, then we've seen a shift for a lunchtime. So the appetite is as big as before. Earlier, we had more students. But now with schools lockdown due to COVID we had less students in school and not being able to go to the store from school, but then they would order from home. So we -- it has shifted, but it's not different at this moment. And I don't know how it is in other countries, maybe Stoff, you can add something to that?

Stoffel Thijs - Domino's Pizza Enterprises Limited - CEO of Germany

Yes, definitely. Thank you, Misja. For us, we've always had a quite strong lunch business. We saw a drop in that getting back to normal again where -- not to where we were prior to COVID, but probably because we still have working from home. And some people obviously have their pizza delivered to their houses. On the flip side, we also missed a couple of businesses that would place lunch orders. So general bit of a shifting, but way more normal than it was 12 months ago.

Andrew Bradley - Domino's Pizza Enterprises Limited - CEO & President of France

Yes. We've seen the shift to -- we're doing less in the central business district areas. Obviously, there's less people spending time in the office. So that's kind of shifted out to the outskirts and the smaller cities where we're seeing. And as with the others, we've seen a little bit more delivery and a little bit less carryout, but that business has been pretty consistent, except for the city centers where we've been -- it's been lower.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Thanks, Andrew. Perhaps staying with Andrew, I mean I know you mentioned ESG in your presentation today, and it was a theme through a number of the speakers in your presentations. So what do you expect the increased focus on a green socially responsible supply chain to do to pizza prices from a consumer perspective? And how do you think about the risk of losing market share if competitors don't operate -- don't adopt a similar strategy?

Andrew Bradley - Domino's Pizza Enterprises Limited - CEO & President of France

I think we've said a lot of things, COVID has accelerated a lot of things. And one of the things quite very clearly here in France is this whole social responsibility and everything linked with the environment as well. I think the bigger risk is to not be on the wave. You can't miss this wave. You've got to be on it, be there, not too far ahead, certainly not behind.

And that's really our focus, and we're following very closely where the consumer is on that because it's moved quickly. What we're seeing is that we've made adjustments to our offer, you'll see a lot of more made in Europe or made in France products. The whole animal wealth, I think, has been a big issue. We came under some pressure. We made our -- with the help of John and the team made engagements on that front, and we've seen that the people who haven't made those engagements recently, Burger King these last few days has been attacked by the same group of people.

So I think actually, it's more of an opportunity. And we've definitely moved our range along during the COVID period, and we continue to do it with this what we call it quality. And quality stays transparency, the consumer wants to see the transparency wants us to say what we're putting in there, what is the nutritional values and things like that. So I actually see it as a massive opportunity. And I think we've got the plans there, the strategy is that we need to keep adjusting because the consumer keeps moving. It's moving very fast. So what was prepped before and nice to have, I think, in a lot of cases, been must have.

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

Yes. And I think in many of these projects that we do investment upfront, but then the actual output after that is actually lower costs. So Project Golf in 12-day East are just 2 examples of material shift in carbon footprint, but then material savings to the stores because we're going to be visiting them a lot less.

Or our electric oven project, electric ovens because there is not a lot of volume in those costs more upfront. But once you get to volume, they actually become less because there's less parts and an electric oven, they're more consistent in their bake and they break down a lot less because of the less parts and so on more reliable model.

So yes, some of these things, they are a material investment upfront, but I think there's actually an opportunity and we're going to create competitive advantages. On the research, what we're constantly monitoring is there's no question that customers are saying to us that things are worth more when we do good behaviors. It's just how much more.

And that's something we can't answer yet. So where is that basket going to sit. And my own experience in research has been that often customers say they'll pay more when they actually come to activity, you've still got to be able to marry that up, and it doesn't always relate. Pricing is a hard thing to do in research.

So we're also still conscious of that as well. So Andrew said it well, don't get way too ahead of that curve only to be caught out. So you've got to make sure that we're constantly testing in the space. But my assumption is this is going to become a big competitive advantage if we do break away in this category. And it's an advantage, especially over the smaller operators.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Thank you, Don. In terms of costs, have you been able to start to unwind some of the COVID costs as Europe reopens? Or has that become embedded a standard operating procedure now? And similarly, are these 3-year returns to franchisees flooded by covered lockdowns? And do we see 3-year returns as sustainable?

Andre Ten Wolde - Domino's Pizza Enterprises Limited - CEO of Europe

Yes. Nathan, happy to answer that question. On the COVID costs, we have sanitizers in stores. Sometimes in some markets, we still use masking in-store but bigger picture that those are massive costs we incurred, the bigger costs in the beginning. So there's no unwinding.

I think sanitizers are here to stay even if COVID is gone because people are more aware of sanitation and how easy, just something like the fluids. So they're here to stay. The second part of the question is, I don't -- we don't think that the 3-year return is flattered by COVID. COVID added costs, it changed our business, in where was the bulk of our business, sometimes from carry out to delivery massively. But in Germany, carryout wasn't that big of a business, so delivery just grew, and we see that coming back.

Every week is different. We've never recovered from something like COVID in our history before. So we constantly are measuring -- are talking to the customers on what changes in their lives, what different behavior do they -- and then we act on those things.

So short answer to the question, 3-year payback is our focus. And we've always been focused and franchisees really like our focus on that. They understand that we're with them and trying to get -- make sure that the money they invest in our business has a great return. And it will stay our focus.

And like I said, franchisee profitability is one of the KPIs that we drive this business on and where we where we look at the different markets on where that's it. I don't see it being any better because of COVID, and it will not get any worse because of COVID. It will get worse because of our actions, not because of something like that.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Thanks, Andre. Now just in terms of just keeping on cost for a moment on the significant cost increases in the first half of 2022, do you see the need to put prices up or kind of be managed by our efficiencies where there's no net impact to DMP or the franchisee?

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

Yes. I think one of the important things to note for each of the leaders on this call and for our business globally is that franchisees are in control of the pricing. So it's up to us to convince them in these strategies as well that we're going to more than mitigate the costs through, as I mentioned earlier, the 3 different strategies.

So it's -- we need to be compelling not only for the customer but compelling for our franchisees because we don't want them just to simply put up prices without giving the customer more because we are in the value game. So we're pretty confident in the strategies we've got. Of course, we've got to be continually executed. Our biggest risk is if we don't compel enough to our franchisees, if we're -- then they can -- any individual franchisee can change their prices within their stores.

We do have national promotions, which are national. But when it comes to individual menu prices, franchises control that. And I think, as I mentioned earlier, the bigger one for our concern is the labor over a longer window. I think we'll get through this soft commodity window. We've been here many, many times. 34 years I've been here, it seems like it's every second year.

And it just seems to be that ebb and flow. And yes, this is one of the greater ones, but it's not the first time we faced this. So there's a lot of experience on how we should go about this. But the longer game, and that's what I think our long investors are focused on. At the real one that we've just constantly got to be ahead of is this efficiency in labor. That's the one that -- I think many investors have heard me say in the past, this is an efficiency decade.

The most efficient player will win because we'll be able to provide far better products and services at a much better price if we're the most efficient. And this whole team here are aware of the strategies to implement against that and that's really the bigger gain. This little window, I think, in the real scheme of things of 12 or 18 months is a window whereas labor is not a window, it's a much longer picture.

If what we're saying is right. And the biggest fear that we have is that if the whole delivery category outprices itself, then it actually -- it takes the edge of delivery. Because what ends up happening is consumers move to other things like, for example, frozen pizza can become an alternative if prices get too high.

And we don't need to be growing other categories. So it's -- as a category leader, it's just as much our responsibility to take leading and continue to be that efficient plan and create best value.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Thank you for that. Can you provide an update on the loyalty program? At the same time, perhaps you could provide some color around the contribution of our own ordering channels, including our mobile apps? Maybe Andrew Bradley, if I hand over to you firstly on the loyalty question.

Andrew Bradley - Domino's Pizza Enterprises Limited - CEO & President of France

Yes, we've been on loyalty for roughly coming up to a year now. We're almost 800,000 or just over 800,000 people already on it, which is actually well ahead of what we were expecting. So the loyalty program is working well. I think it's some is what we have to keep working on to it, keep reminding people it is there. But definitely, it was something that consumers were waiting for, franchisees were waiting for as well.

And very happy with the way it's moving along. Like I say, it's a program we need to keep alive, keep working, but yes, thumbs up from our employees working for us, and I think Stoffel's just launching. So perhaps, I hand over to Stoffel.

Stoffel Thijs - Domino's Pizza Enterprises Limited - CEO of Germany

Yes. As you've seen in the presentation, we're just going live with a well-known and flamboyant person in our ed explaining how a customer can save 10 points for every order over $10, and then with 60 points collected free pizza.

We're actually going live today. So it's a very exciting day for us. So can't really -- our test markets have been seeing the same positive results now for the global rollout and hope to beat Andrew's 800,000 in the first 12 months record.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Love the challenge, Stoffel. If I hand over to Andre for the second part of that question, just in terms of can you maybe provide some color around the contribution of our own platforms, so it's on digital and our mobile app versus, say, the aggregator X?

Andre Ten Wolde - Domino's Pizza Enterprises Limited - CEO of Europe

Yes. We are largely, obviously, a digital business. What we've seen in all markets. At the beginning of COVID, we actually saw a little bit of a spike on our aggregated sales, but they've gone back to a stable percentage of our sales. There's difference in markets. But -- the most of our -- the large majority of our orders still coming through our Domino's channels and aggregators are on top of that. And that is a very stable percentage.

It doesn't matter how much the aggregators actually are on TV. It does -- we really play to win within the aggregators to get the customer to decide to buy Domino's within the aggregator, but the percentage is actually really stable. Both are growing. Our channels are growing, aggregators are growing in absolute numbers, but as a percentage of our total sales, it's remarkably stable.

Like I said, we saw a spike in the first couple of months in COVID, but it's come back to the level it was before. What we see in France, not all stores are on aggregators still. And aggregators are not in all parts of the market as well. So the stores that can are connected, but not all of them are. Still percentage stay pretty stable.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Thanks, Andre. If I just hand over now to Don for the final question. Europe has significantly lower margins as a percentage of same-store sales, sorry, yes, than ANZ Japan today, do you have any guidance for how that might evolve in the future?

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

We don't guide on margin. But really, it's just scale. We're reminded every day -- but when we look at all of the details, also reminded by our Chairman, who's obviously one of the most experienced people in this industry globally that it's a race to scale. And with scale creates more media, we get our stores closer to the customer, which creates more consumer benefits. So we get more consumer benefits that we can tell more consumers about. We just continue to grow.

So it's up for all of us to just get that scale. And with that scale, there is no reason that we shouldn't see similar margins. Australia does have an advantage today by 1% in its royalty back to the U.S. But that gets washed out when you look at how big France and Germany can be.

And then just even we've said before the Benelux, in fact, the Netherlands in many parts of our history has had the highest margins in our business because you've got populations, the size of Australia and New Zealand in a place the size of Southeast Queensland. So just the real genuine benefits of that -- those efficiencies being applied is in a micro way in the Netherlands.

So -- this has always been from day 1, a scale business. And for buying power, for media, for expertise for experience for creating talent in the business. And Europe just isn't that the same penetration of scale that we've now achieved in Japan on a relative basis and because when I say that with Japan, in Japan, we can buy individual television markets. That's the competitive advantage for Japan and that -- whereas Europe, we're still going to buy whole countries. So yes. Thank you, Nathan, and thank you for all the investors that have been on our call today.

Nathan Scholz - Domino's Pizza Enterprises Limited - Head of IR

Thank you very much all, and I appreciate I've gone over time and I've taken more out of your busy schedules. I want to thank all of our speakers tonight, not just for the time you've given up to this presentation, but also for the time behind the scenes to prepare and film your presentations. I hope they've been valued to our audience.

It's been my absolute pleasure to introduce you to the depth of management experience that we have including -- introducing for our first call, the first investor called Kellie Taylor, who have already received positive feedback on how much everyone enjoyed the very distinctly Australian/Denmark experience that was presented tonight. So I look forward to your feedback and to showcasing more of our European business.

It's my sincere hope that the next one of these investor days will actually be held on the ground in person. Let's cross fingers that we get to come and visit sometime very soon. So thank you all very much. This recording will be on our website shortly. Good night, or good morning.

Don Meij - Domino's Pizza Enterprises Limited - MD, Group CEO & Director

Thank you.
