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PRESENTATION

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Okay. Thank you all for joining us for this morning's update on an FY '23 trading update and our cost initiatives, which have been released to the ASX this morning. You are joining us this morning. This meeting is hosted from (inaudible), and we thank the traditional owners of the (inaudible) and recognize our elders past present and emerging.

This morning, you'll be hearing from our group CEO; Don Meij, our Group Chief Financial Officer; Richard Coney,our APAC CEO; Josh Kilimnik and our Europe CEO; Andre Ten Wolde.

(Operator Instructions) We're please to encouraged you to send an e-mail to investor.relations dominos.com.au, and I will endeavor to answer your questions as quickly as possible.

Thank you all, and I will hand over to our group CEO and Managing Director;Mr. Don Meij.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Thank you, Nathan, and thank you for everybody who's come on this important call this morning. So today, we wanted to update the market on, first of all, our trading, but equally as important, some significant initiatives that we're implementing imminently in the business. When we wake up to today, we're 4 markets larger than we were just 2 years ago, and our network is 50% larger by store count than we were pre-COVID. And the question we keep asking ourselves is how do we get the leverage and the benefit of this global reach.

In many cases, the business -- has acquired businesses with all sorts of different software. We may have duplication roles and tasks. And so how do we improve the efficiencies of the business? Because one of the things that we're constantly aware of in our own model called high-volume mentality is that we constantly preach that all inefficiency in a business ultimately gets passed back through to a customer, a franchisee or a shareholder. So how do we lighten the business, make sure that we are agile and that we're as most efficient as we can possibly be.

So if you come with me on to Slide 2. We're going to talk about 4 specific initiatives that we're announcing today. The first of those initiatives is that we're initiating the process to exit the Danish market. And I'm going to explain in more detail about the history of Denmark and our decision today. We're also going to be optimizing our corporate store network of roughly 913 stores, and we'll be more specific on that in the next pages. We will be closing the commissaries that still remain in the APAC region in the current financial year. That's about the start in '24 financial year. That was always the strategy. We're just bringing the clarity to that today in all of this announcement because we've done all the work and we know the numbers.

And we're also retiring some digital assets that are part of the old digital platforms. As shareholders know, we've launched our next generation of apps and web in the last financial year, and there's old engines that are still being connected that we're retiring in the coming year. And then we're going talk about how we're streamlining our core operations to deliver some operational efficiencies with the scale of our network. If we just look at the financial year FY ' 24, we expect to be able to deliver somewhere around about an EBIT improvement of around $25 million to $30 million to the network. Now with these savings, about 1/3 of those at one point will be passed back to franchisees, and these are hitting the business on an annualized basis. If we go to the bigger picture over the 2 years on an annualized basis, a reoccurring profits we hope to be able to deliver or expect to be able to deliver somewhere between $53 million to $59 million in savings.

So if you come with me on to the next slide, Slide 3, which brings the picture together. There'll be roughly nonrecurring costs in the region of $80 million to $93 million. And that's -- we've obviously on one end looking at how leases play out and how different the projects lay out, and that's the sort of range we expect. And then there's the savings. You can see roughly $12 million in Denmark, $16 million to $20 million in optimizing our corporate store network, $5 million to $7 million in the commissary closures and the improvement to our unit economics and retiring the legacy IT assets. Now that's $5 million to $7 million that hits in EBIT into the network. On top of that, there's still a few extra millions that will go into savings into our advertising funds to improve our advertising because some of these digital assets are recovered through our ad funds globally. There will be approximately $20 million in streamline operations. At our full year announcement, the full restructure of our business will be announced at the full year and will become more clear on the timing of that $20 million.

If we come now on to Slide 4 -- sorry, 5. I just want to bring some of the history again to the Danish market. Back in 2019, we acquired the Danish business that had been closed at that point. Unfortunately, it had been brand image through some food safety issues. We thought we'd quite at a good price at the time for EUR 2.5 million. And based on our previous record, we thought that we'd be able to turn that market hindsight is a wonderful thing. Clearly, the business was a lot more -- it was brand image and it took us a lot longer to get the recovery we were expecting. And as we take an honest look at the business today. When we consider the losses and the journey to profit, it's just not something that we think is going to deliver a fair return. And as a result, we've commenced the process to exit the Danish business.

I want to make it really clear. We're very proud of the execution for the team that we're working in Denmark. Considering it was a brand image business from food safety issues and so on. We only ever got perfect scores in all of our stores from the different local councils in Denmark, quite a high achievement. We delivered at some of the highest expectations in operational excellence through our service times, through our customer ratings. And we even made significant progress on the brand, but it just wasn't enough progress, and we couldn't get the right pricing for our products. And hence, we're making this decision today. So for the next financial year, we expect to be able to save roughly $12 million in EBIT to improve our earnings.

If you come with me on to Slide 6, and optimizing our corporate store network. This is largely in 2 baskets. The first basket is that there will be roughly 60 to 70 in store closures, roughly 2% of our network. These stores have been identified as stores into 3 different camps. One could be that somewhere along the history, the rent became structurally an issue. So maybe there was a reset in that region. And when we look at the rent today, we think it's just uncommercial for that location. A second one could be that when we acquired businesses in Europe that we made at stores just where there 2 brands and we kept them by trading as Domino's and they're just right on top of each other. In fact, one specific case, I can well literally a block from each other. And we just think that's -- it's more commercial that one of those stores should close.

And the third issue made -- third area may have been that we did a carve-out of a territory, and we thought the house count in that area would grow to a point and it may not have. So it's been an over carve-out. So in the APAC region, we would expect the stores that are affected in that area will be imminent. So we'll try to get them done by 30th of June. In Europe, there's legislation we need to work our way through with team members and landlords. So there will be some months of delay to get the European stores through.

The second part of this announcement today is adjusting the price of some of our stores where we often make a profit on the sale of stores. In this case, we will be reducing the price of the store, potentially giving it some subsidies and getting it into the hands of a franchisee and a profitable and viable case to make sure that where we are that we are consolidating our best team members and to get the best results out of our existing store network.

So when you look at both those 2 initiatives, there's roughly $50 million to $55 million nonrecurring anticipated costs that we'll be taking up in the next few months. And then they will be delivering $16 million to $20 million worth of savings in this coming financial year, but it's annualized from the point of either closure or sale.

If we then come on to Slide 7. We've talked about the back of house dough model today, Australia, New Zealand, Denmark, Germany and largely Japan have been on a back of house model and has been delivering some great quality execution and profitability to the unit economics. When we acquired the Taiwan, Malaysia, Singapore and Cambodia business, we announced that we would be also improving back of house in those markets. We've actually executed against that in Cambodia and Taiwan already in the last couple of months and Malaysia and Singapore will take place in the financial year '24.

So that the whole of the APAC region will be back to house. And then we've also, as I mentioned earlier, retiring some of the engines that powered the old digital system. Now some of those are still current, but they will be retired as they get replaced with the new platforms that the consumer can see today, roughly $5 million to $7 million to improve to the -- to our EBIT. And then on top of that, there is another few million dollars that improves in the ad funds. Obviously, that's not straight to earnings, but it does make our spendable media more effective in the markets where that applies.

And then finally, the initiative #4 on the next slide is streamlining our core operation. We talked a little bit about this when we acquired the markets. We also talked about this in February that there was a review taking place in the business, where we've got many variations of software from HR system, to finance systems, to operational systems that we've been looking to consolidate. There's -- we operate in some of the nice expensive markets in the world that we've been wanting to move to more shared services to benchmark against some of our peers in retail and in like-for-like businesses. One of the benefits of Malaysia has been that, that was the intent. And so we've been in a process where we will be able to announce a new structure of the business in August.

But because we already have a pretty good indication of those savings and knowing materiality, then we're announcing them today. But not all of them will be impacted in August or September are benefited because some of this movement into shared services and so on, does take a little bit of time. And we talk about the annualized savings that we achieved on the point of those actions.

So all of that, as I mentioned, will deliver somewhere between $53 million to $59 million. And at some point, around 1/3 of that would be applied back to the franchise network as we're achieving it.

If we now just go to our trading update today, I'd like to share that our group same-store sales for the half are currently running at 0.2% and in the last quarter 2%. If we just isolate out Taiwan as Taiwan up until October was still running under COVID conditions, that would be 1% and 3%. Just to highlight that in the rest of the network, we're starting to see some momentum versus the first quarter. We believe we're going to have 6% to 7% of new stores open, excluding any of the store closures. We do highlight that we are not likely to achieve the 8% to 10% store count next year, which is our medium-term outlook. But we're still highly confident when we look at our run rate that we'll get to the 7,100 stores that we've given as an outlook for 2033.

We also want to highlight that we're sharing today that the underlying EBIT is expected that we haven't improved against the first half. So H2 EBIT growth has not improved against the H1 performance. So we just wanted to highlight that again today. So at this point in time, I've got -- I tell the team members Josh, Andre and Richard and even Nathan to answer any questions.

So I'll hand back over to Nathan. Thank you.

QUESTIONS AND ANSWERS

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

(Operator Instructions) The first question from Bank of America, Don, is does the -- do these cost initiatives that announced today suggest that initiatives to offset higher cost through pricing have not been as successful as hoped?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, it's true that it's taken us longer to deliver upon our pricing, and I look forward to going through all the details of the August announcement. But, yes, we're now where you can see where this same-store sales are starting to pick up and various markets are now into a healthy momentum, but it did take us a little longer to pass that through. Thank you.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Now just a question in terms of just getting clarity and a couple of people have asked just regarding the footnote that we've included. You just mentioned, Don, in terms of H2 EBIT growth. And should we read that as tracking towards that negative 21% in the second half?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, that's correct.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

I just got a number of questions, and I'm going to start moving through them. A question from Richard Barwick in which countries will those 70 to 75 corporate stores be closed?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, just by the sheer number of scale, it's predominantly Australia, Japan, France and Germany. So because we've got landlords and team members in a European process, we haven't broken them out specifically because there's legal obligations there and how we've got to go through this process. But rather than go through the deduction by individual market, which could be complicated. I can share it's predominantly in the 4 major markets today, then plus Denmark is on top of that.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Our covenant levels being that -- a few people have asked as well, our covenant levels being tested in either FY '23, FY '24, given underlying EBITDA run rate and how close to 3x leverage are you comfortable with?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

I'll hand over to Richard on that one.

Richard Coney - *Domino's Pizza Enterprises Limited - Group CFO*

Yes. No. Basically, we do anticipate our net leverage ratio to be in the higher end of our range of our covenants, however, we will be working to sort of bring them back over time to the 2x with prudent capital management and even these initiatives is going to improve our profitability in the medium to -- short to medium term. So we'll be watching it closely. But obviously, managing our capital in all cases across the balance sheet.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

A couple of questions about the underlying health of the franchisee network. So -- and I'll answer them I'll ask in order, but what is the risk that more store closure will be required either corporate stores or franchise stores?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. So the criteria that we've applied here is the same criteria applied to any store. So if a franchisee was in a buyable store that had proper rents that we thought was commercial had the commercial sales and the commercial house count. If a franchisee came to us and said, "Look, I'd like to close my store", we would most likely buy that store or it would sell into the market. If there was a structural test for the exact same reasons that we've talked about today, then that could be a store closure.

We have tested the network from our analysis, and we do not expect any material movement from store closures from what we're announcing today. So we'd literally be looking across the system. And as it turns out, many of these stores that we're closing those corporate stores are ones that we've already inherited back from franchisees for those 3 reasons. And so no, we do not expect to see any material change from the numbers we're announcing today. And the fact, we'll be growing store network again currently and into next year.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Just in terms of franchisee profitability, has it continued to deteriorate? Or has there been an improvement since the last time we reported.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

It's variable by market, and we will break that out. So in some markets, it may drop slightly in other markets, there's been improvement. And that's all been tied pretty similar to our own units. So you can see our -- the first quarter versus the current quarter. So where we're seeing good rebound in the current quarter, we're seeing earnings respond. If we're still in a couple of markets where we're just on the initiatives that have been applied in the other businesses, then franchisee health would be similar to our own health in those markets.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Three questions from different analysts here. And not getting everybody's name as I'm rushing through these because there's a lot of questions I want to get to. But why will that profitability not get worse given that you've looked waste from some of the pricing action you've taken, for example, obviously that's Michael alluding to the delivery service fee. And also, can you maybe give an update on some of those initiatives that you're doing to rebuild delivery volumes.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. So that's a really good question. An example for any Australian shareholders, they would have seen that removed the Domino's service deal last week. I can confidently tell you that our food and labor were exactly in line with the food and labor at its best trend in recent weeks because of adjustments we made in other parts our pricing. Because with the recovery of delivery, recovery of delivery when you've had a slight decline deliveries you get the yield of economy of drivers that come of productive and a delivery order counts are better food cost. So it's still early days as that's an example, but that's been the case in other parts of our business.

So we did this in Japan a number of months ago, and we can see great recovery in the Japan business right now and order count growth and so on. So why it's taken a little longer as we talked about pricing needs to be tested over longer windows. We've shared that in February. And in many cases, we had to make rapid decisions where we didn't do the testing. What's been very different about since February, there's been much longer periods of testing, hence why [BSF] was only unwound last week because there was a long tests going on. In other parts of the business, like our corporate stores, and we want to make sure the longevity of reversing that, making some other adjustments to our pricing, getting a better delivery growth in those markets. And then what was the net-net of that.

And then we've made the decision to go through with initiatives like that.

So yes, feeling good about the global product development pipeline, which is part of this, feeling good that we're a lot more informed about our pricing, and we're seeing the health of that in the current quarter. And then noting also that the stores that close here really in every single case, the sales get picked up by the neighboring stores because they're often on top of each other, as I said, there's a structural rand area that be relocated or something like that. So yes, I hope that answers that question.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

In terms of our cost of goods inflation, any point at which we're going to get some COGS relief?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, we are seeing and it is a different story between Europe and APAC, but we are seeing COGS relief already. And we'll see more savings in July in the APAC region. Europe's variables. There's some that -- and maybe, Andre, you can add a little bit of color, but we've seen energy costs coming down. So energy and soft commodities have been coming down. Andre, any other color to add to Europe?

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

Yes, you're right. Energy has come down, but there's still some pressure on flowers, pressure on cardboard. And we're seeing things coming off, but not to the extent that it is material to our food cost, but we are hopeful for the next 6 months of this year that it will come down further.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Whereas in APAC, Josh, the theories that we're seeing...

Josh Kilimnik - *Domino's Pizza Enterprises Limited - CEO of Asia-Pacific*

Yes, APAC. We've seen a bit of movement in electricity prices. So obviously, gas has moved much at all. We're seeing sort of other commodities come off, wheat and cheese are certainly coming off the other side. We're hoping for good movement there in relation to our business. A little bit of movement in chicken, but beef is slightly coming up from what we can tell. So yes, it's not like it was this time last year where we weren't sure where the next rise was going to come from. So certainly steadying and normal flow of business for us right now.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

And 2 of our biggest commodities are cheese and wheat. So that's assisting the APAC region.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Just in terms of the reinvestment back in the franchisee base, Don, Tom Kierath asked, is the $25 million to $30 million of combined, are the combined savings in net or a gross number, that is the amount E&P shareholders will see. So is that before the reinvestment? And then also Richard Barwick has asked that beyond those savings in 24 or 1/3 of the savings beyond FY '24 also be reinvested?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. So the best way to look at it is that was a gross. So the net will be minus the 1/3. And it's all timing. When do they happen and then what initiatives do you pass a third through. So there will be some lag in some of that or liquid in applying that to each market. And yes, so if you look at -- if you said pick a halfway point on something like $55 million. And when it's being annualized, roughly 1/3 of that would go back through whatever that is $18 million, whatever back to franchisees and the rest would hit our shareholders' returns.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Thank you. So in terms of -- obviously, you just mentioned again that $55 million figure in terms of the $25 million to $30 million in FY '24 savings, obviously, you've got Denmark and then -- where do you see -- this is a question from Bryan Raymond, what are the initiatives that will then result in the FY '24 savings?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, I hope I got that question right, but you can imagine this builds. So the stuff we do (inaudible) and that just hit straightaway first of July, we've got real genuine savings that's being passed through into our business. And then there's the initiatives where you've still got leases, you've still got -- process we're going to go through in Europe, and you've got some restructuring of the overhead with shares services and so, and that just takes time. So the more we get through the F '24 year, it's the annualized results post that when the initiative hit.

So there will be clearly initiatives hitting in the second half. that you don't get the full year savings from the next year that you see the savings and hence why we said, financial year '25. So run rate to the network. Basically picked 2/3 of that $55 million number from the '25 year onwards.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

There's a few questions just in terms of the same-store sales trading update, and I'm going to aggregate them into one. I think Shaun Cousins has done a summary here. Can you outline -- well, firstly, a few questions I've asked. Can you provide some context in terms of the same-store sales growth, how much of that has come from volume versus ticket? And then I'll dig into some of the other questions.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, all of that is ticket. So in most of our businesses, not all, but most of our business will either slightly negative or negative on our customer accounts. And that -- so the outcome of that 2% or 3% where you want to pick it, has come from ticket at this point.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

So same-store sales growth -- the plans to grow same-store sales growth and flex is not fillable, it was originally indicated in H1 and price trust appears to have been lost with core customers. How will this be done of growing same-store sales without losing -- without harming DMP EBIT margins further? And what are the incremental improvements in franchisee profitability that will then drive store growth?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, where we see the marriage of price and product, we're seeing really good results. I mean we've just finally executed all of that playbook in Germany. And where flex is working. It took its time to tweak and retweak through the business. So we've got components of the German pricing, which is flex and then with new product. As an example, we see a really good marriage.

And we're seeing that in Japan, the Benelux, particularly the Netherlands has performed very, very well for a long period of time. And we've even seen really good green shoots in France. And we're in amongst all our product launch right now, our shareholders will see it all in Australia literally in a week's time, similar playbook to what's been played in Japan and what's being played in Europe.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

I do have a question in terms of (inaudible) straight up, there was a question in terms of the split between underperformed corporate stores that were closed and the others that will turn around. From our media release approximately 60 to -- 65 to 70 of these underperforming stores will close, and 70 to 75 stores, DMP will partner with experienced franchisees to accelerate that refranchising. Question here, are any of the stores to be closed loss making? And are the cost savings identified net future gains on sale or is that additional profit of sale or going for those closing stores?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. That's a good question. All of those stores as making, hence why they're part of closure, and that does one of those 3 structural issues that we talked about. And typically, if we could see a horizon of a reasonable enough return, we would say hang in there because why would you write down that asset. So that's one part of that number. The second part of that number is discounting part of the portfolio to sell a store at a more effective price to make it viable for an incoming franchisee. And so yes, that's the 2 pieces to that announcement in the second bullet point.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Is the accelerated amortization and legacy IT assets part of the one-off costs?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, it is. That's correct.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

And as DMP franchisees receiving 1/3 of the cost savings sufficient to drive store growth?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, we believe it is. In fact, to franchises today, that will be a lovely announcement. And already have been receiving emails and warming, congratulating and thanking the company on making these sort of decisions. So that's my first wave of messages that I've received, but I do expect that will be received well by franchisees that were -- we're practicing what we preach with high [volume] mentality in that we've got to be the most efficient to be the most competitive in any market to be the best value. You need to be the most efficient and in some of our structure. Based on some of our historical decisions, we haven't been as efficient as we could be. And that's what we're changing today.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

You haven't provided FY '23 EBIT guidance for the remaining uncertainties to make you reluctant to provide guidance as late in the year? And also, can you give some color as to regional performance in EBIT, what's driven this downgrade?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. So today, because there's so many moving pieces here with leases and when the timing for Denmark, there's so many bits and pieces. You can imagine the projects to pull this together in our business to today. And so yes, that's largely why we're sharing what we're sharing. I think we've been relatively clear in sharing that the underlying H2 EBIT growth has not improved on H1. So somebody asked a good question about that earlier, and that's quite accurate.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

A couple of questions on Denmark, the number of stores, which is 27 stores in Denmark, the sales in Denmark and also the aggregated losses over the past 4 years in Denmark.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. The disappointing thing for the team when we've made this call is they've had really good sales momentum this year, but those sales have not been a profitable enough. We were not able to get the price we needed for our product based on the damage that had happened. The team did an extraordinary job on customers that were rejectors of Domino's based on the damage that would be done by our predecessors. But we just couldn't get there fast enough. And we're aware in a public environment and the return is not fair enough. And so that put a drag on the business and where we're at. I don't have the aggregated number. Richard made something we can disclose it before you. What was the aggregate you might have...

Richard Coney - *Domino's Pizza Enterprises Limited - Group CFO*

We haven't disclosed it before, Don. And so we will consider that.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

So in terms of the sale price on corporate stores, will that be on normal terms? Or are the franchisees being incentivized to buy those stores given the stores are still in turnaround.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. So there have been some incentives. So yes, as we often do with these stores as we make sure we're handing over in a profitable and viable state. So yes, some of those stores will include incentives. That's correct. That is built into all of these numbers, by the way. So that's not an additional drag. In fact, those stores will often enhance the profitability, not taken into account in that equation. So Andre, you just want to add anything to that?

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

Yes. The big part of that incentive is what we see a lower price for them to get the store. And that's what we've calculated in here as little as possible ongoing incentives, but a really fair price to get their hands on the store.

Josh Kilimnik - *Domino's Pizza Enterprises Limited - CEO of Asia-Pacific*

Yes. (inaudible) exactly the same way we're looking at this. I actually -- when I think about the future, I think it's actually going to create some of our really strong leaders without these high debts. So I'm quite excited about what we're doing here.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

That comment in terms of the net benefit, Don answers the next part of Michael Simotas' question, but he also asked, will you make any losses on store sale?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, that is absolutely correct. We will make losses. That's how this note comes about. That's losses on the sale of that portfolio of stores. That's correct.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

A question here in terms of the (inaudible) model. And previously, you highlighted increasing stores is not cannibalizing your own footprint, however you're now closing some stores and near to each other? Can you clarify?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, I think it's a good question. When you think of the scale and size of growth, when you look at Japan, taken 700 stores in the last 9 years and a few of them, we said we've got history, whatever happened, rent might have changed, encroach might have changed, but this is a really small number relative to any of our peer group over the life of a network.

So yes, the 3 reasons we mentioned earlier, might have been for the acquisition that just too close to each other, could have been a rent restructure or it could be that we just forecast more store -- house count growth in that area than we achieved. So yes, the carve-out strategy has been significantly successful for this business, and we've proven that year after year after year. This is a small adjustment for that, but 2 other pretty important reasons.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Our old markets, excluding Denmark, profitable, including Cambodia.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

All markets are profitable. Yes, with Cambodia's 9 stores. So once you put all the overhead against Cambodia right now is very small. It's tiny. But the store units are profitable in Cambodia. But yes, all of the markets are profitable today.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Alexander Mees asked nonrecurring cost will they all be provided for in the FY '23 P&L. I can answer that, Alex, some -- that is not the case. I mean I think we've answered that some of these will -- benefit will accrue. And what is the cash flow is noncash split of the nonrecurring cost?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, the clear majority is noncash. But Richard, do you have a split on that approximately?

Richard Coney - *Domino's Pizza Enterprises Limited - Group CFO*

Yes. I mean, obviously, the -- in terms of the store piece, that's relatively noncash. It's just a write-down of our asset portfolio. Denmark is majority, noncash, but obviously, we've got some close down costs in terms of concluding leases and things like that to say the majority and the commissary closures maybe again, I'd say, 50-50 on that piece. So the majority would be noncash.

And then the final piece, which we haven't sort of estimated yet will be the sort of streamlining of operations that is likely to have some -- would be majority cash, but we haven't got close to that. Yes, we'll be talking in the August results.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

I have 2 questions from Eli Miller. The first, are you expecting a store rollout when closing stores; although Eli mentioned this question might have been cut off its and have only -- are you expecting to get store rollout when closing stores and have only been able to open one. On our investor website, it has the new stores opened financial year-to-date 165. But I think, Don, the broader question in terms of how do you expect store rollout to happen? And Eli's follow-up question, is DMP x growth given now we're in cost out, not growing store.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Definitely not x growth. I think we tried to highlight that in the press release today. I think you've got to put this on a relatively the scale to what franchise is seeing amongst us. When you break it down by market, these are small numbers. And of those there'll be beneficiaries or franchise or corporate that will pick up those trials.

So I think we've got to keep it all in a reality check that this is -- they're not make it an overreaction to the size of this number. It's a small number of stores. We still have an immense amount of greenfield territory throughout our network and hence, why we're still reconfirming our 10-year outlook to 2000, 3,000 to 7,000 stores.

That -- we can pressure test that all day long. We materially under service France, Germany, the new markets in Malaysia, Singapore and parts of Japan, as an example, in Taiwan. So greenfield stores are just seeing there waiting for us to be able to execute against them. So I think it's really, really important to put this all in relativity check. And anybody referencing against other QSR peers, these are still very low numbers over a 10-year window of what we've closed.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

(inaudible) ask some follow-ups on that I believe we've hit clearly and I've answered some of these questions. I'm going to give us another go at them. So Ben Gilbert, can you give us some color on regional EBITDA performance?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Well, we haven't broken out the EBITDA performance in this result today, but we will be in the full year, obviously. So I'm not sure whether I can answer to that, and we didn't get in -- this isn't a full year announcement or -- this is just a market update of where we are today. And largely because of these 4 big initiatives that they've been signed up and they're material. So therefore, they do have an effect on shareholders and our franchisees.

So we -- that was the leading part of this announcement today. Because otherwise, we're with inside our legal obligations and the expectation of the market. But we've also got feedback in February, make sure you keep shareholders fully informed all the way through, no surprises, and that's what we're doing today.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

And then a follow-up question again on the balance sheet question. Given the continued earnings decline and the weak momentum into FY '24 in cash, you'll need to outlay Michael Simotas suggested it looks like there's a good chance you'll bridge debt covenants in the first half. Will you raise equity, reduce dividend or seek covenant relief?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

We don't believe we will at this point. You've got to remember that covenant against underlying. And you see a median improvement because a lot of this isn't cash especially in these first few months, you just see the immediate improvement to the stores bottom line to our network bottom line, removing a drag on the business. So at this stage, all of our modeling and so on, we don't believe that we're going to need to raise any capital. And that we're going to show some nice returns to shareholders.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Richard Barwick asked, should we assessing and closing stores on an ongoing basis rather than in a group like this today?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, we should -- the -- these 3 criteria we're just reinforcing today. And so that will be a trickle of what 2 or 3 is when a rent becomes unstructured. The acquisitions, we're not going through. If we went for an acquisition, again, we should analyze that more carefully to some of those on top of each other.

Yes, we're very conscious of looking at that (inaudible) on the bigger scheme of things, I think let's be careful about the plan is 2% of the network. And look at the time and to triple.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

(inaudible) asked as the time line of the future long-term store targets changing as a result of the news today. And Craig Don had earlier said that, that time outlook and it's on one of our slides the outlook of 7,100 stores by 2033 has been unchanged. Alexander Mees asked, we've noticed you've removed the delivery service fee. How is that decision being received? And are you confident how order counts can offset the sale?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. We've already -- we did it a number of months ago in Japan. We had elements of it in Germany and Australia. We just did some old testing. So through the long testing, we could see some good order count recovery. And so yes, from a national perspective, first week, it met all of our expectations and actually because variable costs exceeded our expectations in the first 1 or 2 weeks. Because we always think there's legacy coupons before the new coupons. But I think we did such a good job with the execution because we have not planning and timing that 1 week, but it looks really good from what we promised franchisees.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

And Don, you mentioned earlier that all of that same-store sales growth had come from ticket. Richard Barwick asked, given weak SSS growth despite material cost growth volumes must be a material decline? Is it fair observation? And if so, what does this say about underlying health of the category and (inaudible) ?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. If you average the group materials in the exact right word, yes, there is customer count decline in the last half. But we're -- as I highlighted, where we're seeing product price marry properly, we're already seeing customer count growth in same-store sales. But in fairness, it's this quarter where we're seeing that and building each week to week right now. So yes, it's not material when you do the average of the group.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

A questions from Sam Teeger from Citi and Lisa Deng. How do we see competition from Pizza Hut given new owners. Sam similarly asked what our expectations of how the competitive landscape changes in Australia following the change in ownership of your primary competitor.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. It's a really good question. One of the things that I can share with shareholders today as per public reports you can draw on with CREST NPD and (inaudible) and so on is that we've maintained a 51% market share. There has been -- and you're talking specifically about Australia there has been a decline in independents and small chains and Pizza Hut has been the benefit of gaining share from the smaller -- the alternative to Domino's customer.

We mostly share customers with the big QSRs of McDonald's, KFC, Subway and Hungry Jack's. We share very few customers, which may be surprising to most with Pizza Hut. Like any new owners, it takes time for you to appreciate what changes they might bring. What it doesn't deter us from his outline. What we've always done very well is focus on what we -- where we can see the puck moving with customers and our -- and we've said this over a number of years, our growth is more dependent on stealing share from other parts of other QSI categories.

We're talking specifically about Australia and other parts of the world, some (inaudible), especially in Europe, that's not a relevant comment. But yes, still every second pizza consumed in Australia, more than ever second pizza in Australia is Domino's pizza. We've held that share in our last couple of years. And in fact, if you go pre-COVID, that's a lot ahead. I mean we were 47 or 46 coming into COVID.

So we've gained share in that window. In the most recent window, we the decline in carries come from independents and other small chains Custom Capers and those sort of business.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

There's the rising store level of EBITDA (inaudible) the store level targets need to be revisited given rising interest rates and debt service costs for franchisees that have gearing.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Sorry, I was in one (inaudible) -- sorry, say that again, my apology.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

I said the EBITDA targets for stores need to be lifted given the rising cost of servicing debt for franchisees that have gearing.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. We talk often about -- inside the business, we often talk about the average weekly unit sales target for franchisees consider that they need to be higher than they were 2 years ago. So we talk about Avis targets. We talk about still shooting for the 3-year payback. And yes, so inside the business, we do communicate that quite transparently with the franchisees. Yes.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

A question from Michael Simotas. Can you please talk about the dispersion of franchisee profitability? How many lose money. There was also a question from Sam Haddad, which region has the longest tail of underperforming franchisees.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. So like we have in recent years, we'll disclose a lot at the full year, we'll break that out as we have in recent times. So it's in a like-for-like moment because there's always a challenge when you break pieces out at different times. So I think we've provided a record amount of transparency in that area in recent years and we'll continue to do so at the full year.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

The reinvestment back into the franchisee base Lisa Deng has asked, if you can outline how we're going to be investing that third into franchisees. Where does that and how does it look like?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, typically, that will come back in the form of food rebate to the franchisee. So that typically there or it could be a royalty subsidy. But they are the 2 bigger triggers.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Do we need to be opening the network to franchisees out of the system to drive rollout?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Preferably not. We've talked a lot about this extensively. We've got a really solid body of talented franchisees. We still have ambitions to increase the averages per franchisee, both for the efficiency of the franchisee and for our network. So our preference -- ultimately, there will be people that will in the system that are buying from other franchisees. But it's not our focus. Our focus is to grow from within. We look at all of our franchisees the clear majority of them actually dominated by people who are growing up in this business as pizza maker or a delivery driver to manager to franchisees, one of the great Domino's stories we're very proud of.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Two questions from Ben Gilbert. The first one was, what does today's update mean for overheads given the level of incentives that we previously advised were expected to accrue.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Not sure what we referred to in the past of incentives that we accrued.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

I think we previously referenced the fact that some of the short term and long-term incentives had been rolled back. But I think, Ben, probably to further to your question, I mean, the project foundation work, the streamlining of the business and probably answers that question in terms of the material changes that we're looking to make to the...

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. I think it's healthy for our network, and we've often had this question from analysts and shareholders. It's healthy for our network when we're making these sort of savings that we also pass some of that through to the unit economics to make the unit economics. So it's corporate or franchise, help them thrive. If you make an announcement like this and there's not any sharing in a partnership I don't think that reflects well on our values as a business and what we try to do in a partnership with our franchisees.

So as I mentioned earlier, we've only received positive e-mails this morning directly from franchisees congratulating us so far, but that changes over the next few days, I don't know. But I think this is a positive and healthy announcement both for our network and for the operating efficiency of this business.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

A follow-up question from Ben was, can you give some thoughts on trends into the first half of '24? Why should the market not annualize second half of '23 into the first half '24 including M&A and cost out. Are you seeing any tailwinds ex the 2% comp?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. So that's a very good question, Ben. So in the first half of last year, we were declaring that we were taking a lot of one-off hits in pain with soft commodities largely. We would have business partners walk in the room and say, here's the new wheat prices, here is the protein prices whatever, and we just have to take the hit because franchises has already had retail prices in the marketplace. You've got a business partner who's saying, if you want supply, you keep your net, you've got to pay this new price, and we were to make the sandwich (inaudible) that. That is not currently happening. So the first half last year, we were experiencing a lot of that. It was also the first way where we were trying to take some of that price, and we made some decisions that didn't play out. So when we look at the business right now, definitely a lot more educated on price, and we're seeing the benefits of that. A lot of the hard work in the new products that are rolling out in the market. We've had some really impressive products that have actually had record penetrations like our crispy fries in the Netherlands, Belgium and France and now rolling in Germany, the most successful side item in the history of those markets.

The -- My Domino's box that we launched in Japan and Taiwan is the highest penetration of new customers we've ever had, which is going up to a single leader in QSR. That now products has been rolled in Malaysia and launches next week in Australia and New Zealand and so on. So we feel really good about the product announcement the profitability building those products. Our pricing models are a lot more tested in a much better place, and we're going to have less one-off hits.

So even in a baseline before we make these improvements, our internal forecasting years of growth. And then this plays on top of that.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

The last question from Ben now, will you be looking to review capital allocation to returning those who were DMP seen Northern African COVID there and in fact, has gone backwards?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

My apology for the first part of the question. Sorry. Nathan, (inaudible)...

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Yes. Would you be reviewing the return hurdles or capital allocation given that DMP appears to have gone backwards since pre-COVID?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

That is a very good question. Richard, I'm not sure if you could answer that.

Richard Coney - *Domino's Pizza Enterprises Limited - Group CFO*

I mean, we continually review our capital return hurdles. Obviously, we'll be taking a harder look in terms of capital allocation. And we're -- as you can imagine, we're making these types of decisions, then we really are looking at how do we optimize the returns across everything, and that will be IT initiatives that will be investments in new markets, where are we going to get the best returns and in terms of allocation of capital, but we've always done that but we probably be more in focus at the moment.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

A couple of questions I might throw over to Josh on this one. Is there anything specific about the store size in Southeast Asia, the forces of [dough] to be essentially made to begin with? And then will the store footprint be an impediment to making dough store?

Josh Kilimnik - *Domino's Pizza Enterprises Limited - CEO of Asia-Pacific*

Quite the opposite actually. I mean, if you look at Cambodia, we've already closed down that commissary there. So we actually see it as the -- probably the thing that would accelerate growth, if anything because we're not hamstrung by maturity distance from the commerce (technical difficulty)

from a truck point of view.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

It appears we've lost Josh at this stage.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

I can answer some of that...

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

It's my problem. I mute Josh. Sorry, Josh.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. So, yes, markets like Cambodia and so on, it's been fantastic because you're smaller market in Singapore as well. The cost of the commissary versus the scale of those businesses really leverages (technical difficulty)

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Okay. So moving back to a question from Lisa Deng. The European franchisees will be seeing a profit crunch in FY '24 as we increase food prices. I mean how do we think about the impact of that?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

No, we're not increasing crude prices in '24, not sure of that. No, that's historically confused. Andre, if you can clarify?

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

No, no, no. Deng, on average, we're not seeing it coming down. That's what our point was earlier tonight or your morning. It's sort of leveled out, and we're not seeing what Australia is seeing that it's coming down as a total basket. We expect that later this year, but not currently. So it's not going up at this moment.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Question from Richard with the -- Richard Barwick with the divestment of corporate store stock performing franchises. Is there a danger some franchisees may get to be and what's your policy on the size of franchisees?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, we don't have the risk of scale of our franchisees today, our biggest franchisees, we've franchisee in Australia 23 stores, we have a franchisee in Europe that's catching on 40 stores, but these are still relatively modest numbers compared to our peers globally. So we're still shooting for that 5 average in the nearer term and 10% over the longer-term average per store. So that hasn't changed. In our vision of how we will operate the business.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

In terms of same-store sales growth, do you believe that you can achieve same-store sales growth in FY '24 within your medium-term target range.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, we do. We've got a pretty poor 2023 to role that many of those things were structurally fixed.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

A question from Shaun Cousins, for the 4,000-store end of the calendar year '23 and 5,000 by the end of the calendar year '26 store milestones still hold, given the closures and outstanding reduced organic growth in FY '24, obviously, then we've spoken about the 2033 targets. I think we been committed to an update on the outlook at the full year. But I'm not sure if you can add any more color there.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. So those numbers, again, I think we are going to have a slight miss on that first target, yes.

Lost the Nathan, that's (inaudible)

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

That's going to cost me. Are we using aggregates in all of our global markets?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes, we are using aggregators in our markets, yes.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

The minimum wage increase as recently we announced what steps are we taking to offset the pressure from minimum age increases.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. It's a really good question. So we've been preparing for that and it came literally right in the midrange of what we thought it would. And so there's a number of initiatives. One is food coming down in July. Two, there's profitable products that have been launched that run a much better margin, and they're launching in June as we speak. And then the third is just the order count growth from delivery that just gets a leverage of that we lost last year.

So there are 3 big core initiatives, there's lots of little initiatives of different pieces. But yes, order count growth, which we're seeing improvement, new products and food savings that hit on first of July. So franchisees will benefit, but franchisees in 2024 in Australia could enjoy some of the [last food] have enjoyed in years from a percentage of sales.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

House franchisee payback period in ANZ, Japan, Europe looking right now and looking into FY '24, given the comments you made earlier about franchisee profitability? And how can the experience franchisee owners expect a better turnaround than DMP owned corporate stores?

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. So we've disclosed all of that breakdown, as I mentioned earlier, another question has been asked. And so it's better for a like-for-like that we announced at of the full year. So I apologize that we're not breaking down in pieces right now. When we sell a store to a franchisee, we will set it up to succeed. So what we've highlighted here is we are reducing the price of that store. In some cases, we may also give a rebate of a royalty or a food rebate. So we'll set it up with success.

It is, in that case, not a structurally broken store. I talked last week in our business about 3 stores in our history, which at some point, somebody said were not successful, (inaudible), biggest store in DPE today. And there was a point in our stereo said (inaudible), it's our biggest store -- sorry, in Brisbane and Cleveland was doing 20% of the sales that did last week. Only 7 or 8 years ago, not a store in New Zealand like for example. So there's lots and lots of these examples. We're setting it up.

If it's not structurally broken from a rent and a subcommercial house count all when we merged two brands on top of each other. Everything still sticks that if it's set up for success, let's reinforce that in the price and any support if we need to, to make it a success.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Andre, can you just advise whether you've now passed through commodity increases in Europe that we haven't initially been able to pass through.

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

Yes, for the -- yes. Yes, we have.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

And should we expect any additional integration costs in Southeast Asia?

Richard Coney - *Domino's Pizza Enterprises Limited - Group CFO*

There's potentially, I jump in, there's potentially still some IT integration costs that we were planning, and I'll let Josh jump over the top of that. But that was sort of in the plan.

Josh Kilimnik - *Domino's Pizza Enterprises Limited - CEO of Asia-Pacific*

Yes. That's just part of us launching our online assets in there. So NextGen, which is our platform. As we retire the GOLO, which is part of the U.S., we're actually changing that out. We're putting -- there's a few little ones in Taiwan where we changed our point-of-sale over, so that we're all on the same platform. So these are all things that will actually help us leverage long term than anything else. So a few little integration costs.

Richard Coney - *Domino's Pizza Enterprises Limited - Group CFO*

These were planned. (inaudible) this exactly.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

And then the final question from Peter Berger, can you comment on the structure of the market? For example, do you expect that increase in cost of living there'll be a trend towards more Domino's product versus higher-cost dining options.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Here, that's what we've seen both in our peers, and you've seen some of their announcement in the last few months, and you've seen QSR as a whole. So yes, we do -- we look at all the product development and what we're rolling out. We've got some really lovelish sharp price points that are really good products that bring good margin to our franchisees. So, yes, that's -- in all of our new product development programs that we talk about, we're talking about making sure that we've got products perfectly designed after the next 2 years.

If you remember back to 2008, when we launched the Chocolate Lava cake for $295 and it was just old rock star. People came to us and bought pizza to get the Lava cake. There's a number of those sort of initiatives where we look at products with really good price points highly desirable that will make sure that we're front and setting the conversation competing against burgers, fries, chicken and sandwiches.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Okay. Well, we have answered all of the questions that have been put in front of us this morning. So perhaps Don, if I just hand it to you for any final comments before we close out the session today.

Donald Jeffrey Meij - *Domino's Pizza Enterprises Limited - MD, Group CEO & Director*

Yes. Thank you, everybody. Thank you for coming on the call and for all of your questions. We believe that we're -- as an announcement of today, we're making the business far more efficient both for ourselves, for our shareholders being able to make sure we're really competitive for our customers and making our business more efficient for our franchisees. And we're looking forward to more disclosure of the detail, particularly on that project #4 in the business around the rightsizing of our team and so on for the efficiency of the business. And I look forward to talking to you all then. Thank you.

Nathan Scholz - *Domino's Pizza Enterprises Limited - Head of Investor & Government Relations*

Thank you all.
