Financial Analysis of Corporation: A Case of Domino's Pizza

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Abstract. The analysis offered the evaluation of the financial performance of Domino's Pizza Enterprises Limited in Australia from FY22 to FY24. The focus is on three important profitability indicators: Operating Profit Margin (OPM), Return on Equity (ROE), and Earnings per Share (EPS). The results show the drop in profitability in FY23 because of inflation, supply chain disruptions, and rising operational costs, which leads to a reduction in margins and shareholder returns. The external factors produced challenges of the company's ability to maintain previous levels of growth. However, cost-saving measures and strategic realignment in FY24 were implemented, leading to a partial recovery in profitability indicators. The result emphasizes digital innovation, efficient capital management, and market-focused strategies in enhancing financial performance. Despite external difficulties, the firm has demonstrated resilience and adaptability. The research offers valuable insights for managers to implement strategies, which aim to sustain profitability in the long term and shareholder value in a competitive industry environment.

Keywords: Financial Analysis, OPM, ROE, EPS.

1 Introduction

Domino's pizza in Australia operates primarily in the fast-food and quick-service restaurant (QSR) industry, focusing on pizza delivery and takeaway services. The industry is significant in Australia as it makes substantial contribution to the economy with more employment opportunities, supporting local supply chains, and matching customer dining options demand [1]. The resilient fast-food sector has quickly adapted to changes in customer preferences, including increased demand for digital ordering and delivery services. Its importance was proven to be critical during recent crises, such as the COVID-19 pandemic [2-4].

Domino's is particularly notable for its rapid expansion and technological innovation within the QSR industry. The firm has distinguished features, such as a strong digital platform enabling seamless online ordering, delivery tracking, and efficient operations. Its market dominance has been enhanced by these innovations. It can be a leader within the Australian QSR sector because of its focus on innovation and customer-centric services [2].

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Since its establishment in 2000, it has experienced rapid growth and become one of the largest pizza chains in Australia. To understand its financial health, growth trajectory, and strategic responses to industry challenges, financial reports over three years should be analyzed [3]. In a competitive industry environment, stakeholders can develop a better understanding of the firm's performance, stability, and prospects.

Insights into how Domino's adapts to market conditions, manages costs, and invests in innovation are vital for maintaining competitive advantages and long-term profitability in a key industry for Australia's economy. This understanding can be gained through research of financial reports.

2 Analysis

Three key profitability indicators-Operating Profit Margin (OPM), Return on Equity (ROE), and Earnings per Share (EPS)-are used to evaluate Domino's Pizza Enterprises Limited's financial performance, providing insights into its capacity to generate income using shareholder investments, improving operational efficiency, and creating shareholder value [5].

2.1 Operating Profit Margin (OPM)

OPM indicates the proportion of revenue remaining after deducting operating expenses. Managing operational efficiency and costs can be assessed through this metric. This metric will be listed in Table 1 below.

Table 1. Financial Year Rate

Financial Year	OPM
FY22	11.1%
FY23	8.5%
FY24	8.7%

In FY22, DMP achieved an OPM of approximately 11.1%, driven by organic growth (opening 294 stores) and acquisitions (156 stores in Taiwan), boosting economies of scale and revenue [5]. In FY23, the margin declined to 8.5%, impacted by inflation, utility prices, and labor shortages across global markets. Supply chain disruptions, increased ingredient costs, and efforts to pass costs onto customers led to reduced order volumes and margins, negatively affecting profitability [5]. In FY24, a slight recovery to 8.7% was observed, supported by structural cost reductions and strategic realignment, including store optimization and digital initiatives like integrating Uber Eats orders and launching innovative products such as My Domino's Box [5].

2.2 Return on Equity (ROE)

ROE measures the firm's ability to generate profits from shareholders' equity, calculated as net income divided by average shareholders' equity [5]. This metric will be listed in Table 2 below.

Table 2. ROE

Financial Year	Rate
FY22	42.3%
FY23	26.5%
FY24	-

Not explicitly stated but likely increased significantly due to a 136.5% rise in net profit [5].

In FY22, ROE was strong at 42.3%, reflecting high earnings and efficient capital usage following the COVID-19 pandemic recovery, with contributions from global expansion and digital investments [5]. The decline to 26.5% in FY23 was caused by reduced net profits driven by inflation, higher costs, and lower customer satisfaction from increased delivery fees [5]. However, the net profit in FY24 surged by 136.5%, indicating a potential recovery in ROE as the company focused on cost management, franchisee support, and market prioritization [5].

2.3 Earnings Per Share (EPS)

EPS indicates the net earnings allocated to each outstanding share, serving as a critical indicator of profitability and investor confidence [5]. This metric will be listed in Table 3 below.

Table 3. EPS

Financial Year	Rate
FY22	183.4 cents
FY23	47.0 cents
FY24	111.2 cents

In FY22, EPS was 183.4 cents, supported by efficient capital deployment, organic growth, and acquisitions, demonstrating resilience after pandemic challenges [5]. In FY23, EPS declined sharply to 47.0 cents due to reduced net profits, rising costs, and higher debt levels, particularly in Asian markets [5]. The recovery in FY24 saw EPS increase to 111.2 cents, driven by regional growth, operational efficiencies, and investments in digital platforms and franchise networks [5].

3 Recommendation

The following targeted recommendations are based on the analysis of the trends in the above three indicators.

3.1 Focus on Strategic Capital Allocation and Shareholders' Value Optimization to Improve ROE

The apparent drop in ROE from FY2022 to FY2023 illustrates a gap between net profit growth and shareholder's equity, which may be due to suboptimal investment decisions or inefficient capital utilization. To improve this, a disciplined approach to deploying capital should be adopted. Investments that maximize returns-such as enhancing digital infrastructure, optimizing supply chain efficiency, and expanding into profitable markets—should be prioritized [6].

Share repurchases could be an effective method to increase ROE because they reduce the number of shares outstanding, thereby boosting EPS and return on equity. During periods when stock is undervalued, share repurchases can signal confidence and stimulate investor interest, potentially supporting share prices [7]. Additionally, maintaining a prudent dividend policy can provide consistent shareholder returns without overextending the firm's capital reserves.

Aligning capital deployment with strategic priorities and ensuring transparent communication and regular review of investment performance will help sustain confidence and promote long-term growth. Effective financial management practices are essential for maintaining investor trust and ensuring sustainable profitability [8].

3.2 Implement Cost Management and Digital Transformation to Improve Operating Profit Margin

Although margins have remained relatively stable recently, external pressures such as inflation, rising supply chain costs, and increased competition suggest opportunities for further margin improvements. Digital technology tools can optimize operations and cost control.

Implementing real-time analytics and automation solutions can deliver significant efficiencies. AI-driven demand forecasting can improve inventory management, reduce spoilage, and minimize excess stock. Route optimization algorithms can lower logistics costs by reducing fuel consumption and delivery times [9]. Digital platforms can also enhance labor productivity by streamlining order processing and workforce scheduling, ensuring staffing aligns with demand.

A digitalized supply chain, including transparent procurement via blockchain, can reduce delays, disruptions, and associated costs. Personalized digital marketing campaigns can increase customer engagement and sales volume, creating economies of scale and supporting margin expansion. Integrating digital initiatives into core operations will enable DMP to develop a more flexible, leaner cost structure, improving service quality, customer satisfaction, and competitiveness.

3.3 Concentration on Profitability Improvements and Capital Management to Boost EPS

EPS is crucial for investor confidence and valuation. To sustain growth, operational efficiencies and revenue expansion should focus on increasing net income.

Operational improvements, such as streamlining supply chains, automating repetitive tasks, and optimizing staffing levels, can substantially reduce costs. For example, integrated digital ordering systems and kitchen automation can lower operational expenses. Strategic market expansion into high-potential regions can further enhance profitability [6].

Effective procurement negotiations, waste reduction, and inventory management will directly improve profit margins. Combining these with strong capital management strategies—such as initiating share repurchase programs during low stock prices can increase EPS and investor attractiveness [7]. Transparent communication about these initiatives will reinforce market expectations and investor confidence. Adopting comprehensive financial strategies is vital for sustainable EPS growth, market attractiveness, and long-term shareholder value [10].

4 Conclusion

Overall, Domino's owns resilience and adaptability faces the competition in QSR industry, demonstrating technological innovation and strategic expansion to keep its market status. Its dynamic performance, characterized by apparent fluctuations in some merits, is revealed with financial analysis. Facing difficulties in FY23, strategies such as reduction in costs and digital transformation helped the recovery in FY24. To maintain the growth in the long term, Domino's could prioritize efficient capital allocation, develop cost management, and invest in innovative digital platforms. The effects led would not only include improved profitability and shareholder value but also reinforced competitive advantage. Eventually, the growth approach would be balanced, and cost control and innovation would be important to secure future success in a competitive industry environment.

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