

DOMINOS PIZZA INC  
Form 10-Q  
October 15, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 8, 2013

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission file number: 001-32242**

**Domino s Pizza, Inc.**

**(Exact Name of Registrant as Specified in Its Charter)**

**Delaware**  
**(State or Other Jurisdiction of**  
**Incorporation or Organization)**

**38-2511577**  
**(I.R.S. Employer**  
**Identification No.)**

**30 Frank Lloyd Wright Drive**

**Ann Arbor, Michigan**  
**(Address of Principal Executive Offices)**

**48105**  
**(Zip Code)**

**(734) 930-3030**

**(Registrant's Telephone Number, Including Area Code)**

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 8, 2013, Domino's Pizza, Inc. had 55,718,857 shares of common stock, par value \$0.01 per share, outstanding.

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**Domino s Pizza, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

(In thousands)	September 8, 2013	December 30, 2012 (Note)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 32,079	\$ 54,813
Restricted cash and cash equivalents	63,288	60,015
Accounts receivable	92,765	94,103
Inventories	30,282	31,061
Prepaid expenses and other	20,466	13,068
Advertising fund assets, restricted	54,068	37,917
Deferred income taxes	9,462	15,290
<b>Total current assets</b>	<b>302,410</b>	<b>306,267</b>
<b>Property, plant and equipment:</b>		
Land and buildings	23,723	24,460
Leasehold and other improvements	84,953	80,279
Equipment	174,484	168,452
Construction in progress	5,308	9,967
	288,468	283,158
<b>Accumulated depreciation and amortization</b>	<b>(199,138)</b>	<b>(191,713)</b>
<b>Property, plant and equipment, net</b>	<b>89,330</b>	<b>91,445</b>
<b>Other assets:</b>		
Deferred financing costs	30,520	34,787
Goodwill	16,598	16,598
Capitalized software	13,087	11,387
Other assets	13,121	13,760
Deferred income taxes	3,458	3,953
<b>Total other assets</b>	<b>76,784</b>	<b>80,485</b>
<b>Total assets</b>	<b>\$ 468,524</b>	<b>\$ 478,197</b>

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Liabilities and stockholders deficit			
Current liabilities:			
Current portion of long-term debt	\$	24,140	\$ 24,349
Accounts payable		63,006	77,414
Dividends payable		11,694	1,502
Insurance reserves		13,754	12,964
Advertising fund liabilities		54,068	37,917
Other accrued liabilities		58,814	75,352
<b>Total current liabilities</b>		<b>225,476</b>	<b>229,498</b>
Long-term liabilities:			
Long-term debt, less current portion		1,518,383	1,536,443
Insurance reserves		25,449	24,195
Deferred income taxes		6,740	7,001
Other accrued liabilities		14,651	16,583
<b>Total long-term liabilities</b>		<b>1,565,223</b>	<b>1,584,222</b>
Stockholders deficit:			
Common stock		557	563
Additional paid-in capital		588	1,664
Retained deficit		(1,321,053)	(1,335,364)
Accumulated other comprehensive loss		(2,267)	(2,386)
<b>Total stockholders deficit</b>		<b>(1,322,175)</b>	<b>(1,335,523)</b>
<b>Total liabilities and stockholders deficit</b>	\$	<b>468,524</b>	\$ 478,197

Note: The balance sheet at December 30, 2012 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See accompanying notes.

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**Domino s Pizza, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Income**  
**(Unaudited)**

(In thousands, except per share data)	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 8, 2013	September 9, 2012	September 8, 2013	September 9, 2012
<b>Revenues:</b>				
Domestic Company-owned stores	\$ 75,923	\$ 72,219	\$ 235,526	\$ 223,745
Domestic franchise	47,846	44,039	147,330	133,521
Domestic supply chain	226,315	213,474	691,154	636,903
International	53,966	48,345	161,666	144,620
<b>Total revenues</b>	<b>404,050</b>	<b>378,077</b>	<b>1,235,676</b>	<b>1,138,789</b>
<b>Cost of sales:</b>				
Domestic Company-owned stores	58,662	56,378	179,466	171,325
Domestic supply chain	203,004	191,326	615,736	569,476
International	21,750	18,966	64,047	57,325
<b>Total cost of sales</b>	<b>283,416</b>	<b>266,670</b>	<b>859,249</b>	<b>798,126</b>
<b>Operating margin</b>	<b>120,634</b>	<b>111,407</b>	<b>376,427</b>	<b>340,663</b>
<b>General and administrative</b>	<b>53,858</b>	<b>49,789</b>	<b>160,286</b>	<b>146,371</b>
<b>Income from operations</b>	<b>66,776</b>	<b>61,618</b>	<b>216,141</b>	<b>194,292</b>
Interest income	24	34	97	240
Interest expense	(20,347)	(20,683)	(61,718)	(73,651)
<b>Income before provision for income taxes</b>	<b>46,453</b>	<b>40,969</b>	<b>154,520</b>	<b>120,881</b>
Provision for income taxes	15,821	14,993	56,198	46,067
<b>Net income</b>	<b>\$ 30,632</b>	<b>\$ 25,976</b>	<b>\$ 98,322</b>	<b>\$ 74,814</b>
<b>Earnings per share:</b>				
Common stock basic	\$ 0.56	\$ 0.46	\$ 1.77	\$ 1.32
Common stock diluted	0.53	0.44	1.70	1.26
Dividends declared per share	\$ 0.20	\$	\$ 0.60	\$ 3.00

See accompanying notes.



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**Domino s Pizza, Inc. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**(Unaudited)**

(In thousands)	<b>Fiscal Quarter Ended</b>		<b>Three Fiscal Quarters Ended</b>	
	<b>September 8,</b>	<b>September 9,</b>	<b>September 8,</b>	<b>September 9,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net income	\$ 30,632	\$ 25,976	\$ 98,322	\$ 74,814
Other comprehensive income (loss), before tax:				
Currency translation adjustment	175	(23)	85	(810)
Reclassification adjustment for losses included in net income				776
	175	(23)	85	(34)
Tax attributes of items in other comprehensive income (loss):				
Currency translation adjustment	(49)	1	34	305
Reclassification adjustment for losses included in net income				(295)
	(49)	1	34	10
Other comprehensive income (loss), net of tax	126	(22)	119	(24)
<b>Comprehensive income</b>	<b>\$ 30,758</b>	<b>\$ 25,954</b>	<b>\$ 98,441</b>	<b>\$ 74,790</b>

See accompanying notes.

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**Domino s Pizza, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

(In thousands)	<b>Three Fiscal Quarters Ended</b>	
	<b>September 8, 2013</b>	<b>September 9, 2012</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 98,322	\$ 74,814
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	17,480	15,852
Gains on sale/disposal of assets	(71)	(87)
Amortization of deferred financing costs and other	4,264	11,942
Provision for deferred income taxes	6,031	5,981
Non-cash compensation expense	14,866	12,183
Tax impact from equity-based compensation	(12,025)	(9,622)
Other	(1,283)	(84)
Changes in operating assets and liabilities	(23,009)	(9,727)
<b>Net cash provided by operating activities</b>	<b>104,575</b>	<b>101,252</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(20,286)	(14,301)
Proceeds from sale of assets	3,184	2,262
Changes in restricted cash	(3,273)	31,694
Other	1,539	1,155
<b>Net cash provided by (used in) investing activities</b>	<b>(18,836)</b>	<b>20,810</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt		1,575,000
Repayments of long-term debt and capital lease obligations	(18,268)	(1,459,322)
Proceeds from exercise of stock options	5,804	3,063
Tax impact from equity-based compensation	12,025	9,622
Purchases of common stock	(76,892)	(42,719)
Tax payments for restricted stock upon vesting	(7,888)	(5,750)
Payments of common stock dividends and equivalents	(23,223)	(185,475)
Cash paid for financing costs		