

DOMINOS PIZZA INC
Form 10-Q
July 25, 2017
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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 June 18, 2017

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	38-2511577
Incorporation or Organization)	(I.R.S. Employer
30 Frank Lloyd Wright Drive	Identification No.)
Ann Arbor, Michigan	48105
(Address of Principal Executive Offices)	(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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 July 18, 2017, Domino's Pizza, Inc. had 48,255,380 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)	June 18, 2017	January 1, 2017 (Note)
Assets		
Current assets:		
Cash and cash equivalents	\$ 52,243	\$ 42,815
Restricted cash and cash equivalents	161,685	126,496
Accounts receivable, net	151,641	150,369
Inventories	37,664	40,181
Prepaid expenses and other	41,512	17,635
Advertising fund assets, restricted	116,158	118,377
Total current assets	560,903	495,873
Property, plant and equipment:		
Land and buildings	29,159	29,129
Leasehold and other improvements	124,918	120,726
Equipment	209,267	201,827
Construction in progress	5,254	7,816
	368,598	359,498
Accumulated depreciation and amortization	(230,805)	(220,964)
Property, plant and equipment, net	137,793	138,534
Other assets:		
Goodwill	16,058	16,058
Capitalized software, net	45,519	40,256
Other assets	16,170	16,639
Deferred income taxes	5,354	8,935
Total other assets	83,101	81,888
Total assets	\$ 781,797	\$ 716,295
Liabilities and stockholders' deficit		
Current liabilities:		

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Current portion of long-term debt	\$ 305	\$ 38,887
Accounts payable	104,620	111,510
Insurance reserves	16,978	16,742
Dividends payable	22,648	619
Advertising fund liabilities	116,158	118,377
Other accrued liabilities	90,803	117,563
Total current liabilities	351,512	403,698
Long-term liabilities:		
Long-term debt, less current portion	2,180,518	2,148,990
Insurance reserves	33,255	27,141
Other accrued liabilities	19,583	19,609
Total long-term liabilities	2,233,356	2,195,740
Stockholders' deficit:		
Common stock	482	481
Additional paid-in capital	8,064	1,006
Retained deficit	(1,808,789)	(1,881,520)
Accumulated other comprehensive loss	(2,828)	(3,110)
Total stockholders' deficit	(1,803,071)	(1,883,143)
Total liabilities and stockholders' deficit	\$ 781,797	\$ 716,295

Note: The balance sheet at January 1, 2017 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		Two Fiscal Quarters Ended	
	June 18, 2017	June 19, 2016	June 18, 2017	June 19, 2016
Revenues:				
Domestic Company-owned stores	\$ 112,430	\$ 97,834	\$ 225,975	\$ 194,278
Domestic franchise	82,403	69,675	162,304	137,826
Supply chain	390,104	339,259	778,657	674,954
International franchise	43,674	40,573	85,892	79,459
Total revenues	628,611	547,341	1,252,828	1,086,517
Cost of sales:				
Domestic Company-owned stores	89,040	73,795	176,224	146,550
Supply chain	346,726	301,708	689,943	600,912
Total cost of sales	435,766	375,503	866,167	747,462
Operating margin	192,845	171,838	386,661	339,055
General and administrative	79,978	68,137	157,760	136,641
Income from operations	112,867	103,701	228,901	202,414
Interest income	276	197	387	473
Interest expense	(24,611)	(25,206)	(50,242)	(51,353)
Income before provision for income taxes	88,532	78,692	179,046	151,534
Provision for income taxes	22,791	29,431	50,836	56,822
Net income	\$ 65,741	\$ 49,261	\$ 128,210	\$ 94,712
Earnings per share:				
Common stock - basic	\$ 1.37	\$ 1.00	\$ 2.68	\$ 1.92
Common stock - diluted	1.32	0.98	2.58	1.86
Dividends declared per share	\$ 0.46	\$ 0.38	\$ 0.92	\$ 0.76
See accompanying notes.				

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

(In thousands)	Fiscal Quarter		Two Fiscal Quarters Ended	
	Ended	Ended	June 18,	June 19,
	June 18,	June 19,	June 18,	June 19,
	2017	2016	2017	2016
Net income	\$ 65,741	\$ 49,261	\$ 128,210	\$ 94,712
Other comprehensive income, before tax:				
Currency translation adjustment	215	456	282	1,113
Tax attributes of items in other comprehensive income:				
Currency translation adjustment		(68)		(140)
Other comprehensive income, net of tax	215	388	282	973
Comprehensive income	\$ 65,956	\$ 49,649	\$ 128,492	\$ 95,685

See accompanying notes.

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

(In thousands)	Two Fiscal Quarters Ended	
	June 18, 2017	June 19, 2016
Cash flows from operating activities:		
Net income	\$ 128,210	\$ 94,712
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,773	16,756
Losses on sale/disposal of assets	345	247
Amortization of debt issuance costs	2,714	3,133
Provision for deferred income taxes	3,581	1,775
Non-cash compensation expense	9,633	8,617
Other	204	16
Excess tax benefits from equity-based compensation	(16,906)	(34,852)
Changes in operating assets and liabilities	(32,468)	(20,951)
Net cash provided by operating activities	115,086	69,453
Cash flows from investing activities:		
Capital expenditures	(25,230)	(25,045)
Changes in restricted cash	(35,189)	73,505
Other	519	1,861
Net cash provided by (used in) investing activities	(59,900)	50,321
Cash flows from financing activities:		
Proceeds from issuance of long-term debt		10,000
Repayments of long-term debt and capital lease obligations	(9,766)	(39,878)
Proceeds from exercise of stock options	3,884	10,848
Excess tax benefits from equity-based compensation		34,852
Purchases of common stock	(12,721)	(224,139)
Tax payments for restricted stock upon vesting	(4,911)	(3,036)
Payments of common stock dividends and equivalents	(22,280)	(19,099)
Net cash used in financing activities	(45,794)	(230,452)