

DOMINOS PIZZA INC
Form 10-Q
July 21, 2016
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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 19, 2016

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)
(734) 930-3030

48105
(Zip Code)

(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 July 14, 2016, Domino's Pizza, Inc. had 48,257,672 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 19, 2016	January 3, 2016 (Note)
Assets		
Current assets:		
Cash and cash equivalents	\$ 22,305	\$ 133,449
Restricted cash and cash equivalents	107,435	180,940
Accounts receivable	132,533	131,582
Inventories	36,473	36,861
Prepaid expenses and other	42,678	20,646
Advertising fund assets, restricted	109,025	99,159
Total current assets	450,449	602,637
Property, plant and equipment:		
Land and buildings	29,063	29,064
Leasehold and other improvements	115,172	111,071
Equipment	195,359	186,405
Construction in progress	6,141	9,633
	345,735	336,173
Accumulated depreciation and amortization	(213,763)	(204,283)
Property, plant and equipment, net	131,972	131,890
Other assets:		
Goodwill	16,097	16,097
Capitalized software	34,426	28,505
Other assets	15,697	14,851
Deferred income taxes	3,637	5,865
Total other assets	69,857	65,318
Total assets	\$ 652,278	\$ 799,845
Liabilities and stockholders' deficit		
Current liabilities:		

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Current portion of long-term debt	\$ 48,870	\$ 59,333
Accounts payable	84,902	106,927
Dividends payable	18,815	557
Insurance reserves	18,495	17,597
Advertising fund liabilities	109,025	99,159
Other accrued liabilities	76,620	92,410
Total current liabilities	356,727	375,983
Long-term liabilities:		
Long-term debt, less current portion	2,165,177	2,181,460
Insurance reserves	24,642	23,314
Other accrued liabilities	20,486	19,339
Total long-term liabilities	2,210,305	2,224,113
Stockholders' deficit:		
Common stock	483	498
Additional paid-in capital	93	6,942
Retained deficit	(1,912,755)	(1,804,143)
Accumulated other comprehensive loss	(2,575)	(3,548)
Total stockholders' deficit	(1,914,754)	(1,800,251)
Total liabilities and stockholders' deficit	\$ 652,278	\$ 799,845

Note: The balance sheet at January 3, 2016 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 19, 2016	June 14, 2015	June 19, 2016	June 14, 2015
Revenues:				
Domestic Company-owned stores	\$ 97,834	\$ 88,794	\$ 194,278	\$ 181,169
Domestic franchise	69,675	60,827	137,826	122,601
Supply chain	339,259	302,903	674,954	614,559
International franchise	40,573	36,098	79,459	72,320
Total revenues	547,341	488,622	1,086,517	990,649
Cost of sales:				
Domestic Company-owned stores	73,795	66,082	146,550	134,234
Supply chain	301,708	269,868	600,912	546,677
Total cost of sales	375,503	335,950	747,462	680,911
Operating margin	171,838	152,672	339,055	309,738
General and administrative	68,137	60,441	136,641	123,254
Income from operations	103,701	92,231	202,414	186,484
Interest income	197	57	473	139
Interest expense	(25,206)	(19,010)	(51,353)	(39,163)
Income before provision for income taxes	78,692	73,278	151,534	147,460
Provision for income taxes	29,431	27,369	56,822	55,262
Net income	\$ 49,261	\$ 45,909	\$ 94,712	\$ 92,198
Earnings per share:				
Common stock - basic	\$ 1.00	\$ 0.84	\$ 1.92	\$ 1.68
Common stock - diluted	0.98	0.81	1.86	1.62
Dividends declared per share	\$ 0.38	\$ 0.31	\$ 0.76	\$ 0.62

See accompanying notes.

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

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	June 19, 2016	June 14, 2015	June 19, 2016	June 14, 2015
(In thousands)				
Net income	\$ 49,261	\$ 45,909	\$ 94,712	\$ 92,198
Other comprehensive income (loss), before tax:				
Currency translation adjustment	456	77	1,113	(733)
Tax attributes of items in other comprehensive income (loss):				
Currency translation adjustment	(68)	84	(140)	465
Other comprehensive income (loss), net of tax	388	161	973	(268)
Comprehensive income	\$ 49,649	\$ 46,070	\$ 95,685	\$ 91,930

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 19, 2016	June 14, 2015
Cash flows from operating activities:		
Net income	\$ 94,712	\$ 92,198
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,756	15,028
Loss (gain) on sale/disposal of assets	247	(272)
Amortization of debt issuance costs	3,133	2,550
Provision (benefit) for deferred income taxes	1,775	(1,964)
Non-cash compensation expense	8,617	7,776
Tax impact from equity-based compensation	(34,852)	(7,556)
Other	16	(725)
Changes in operating assets and liabilities	(20,951)	(3,441)
Net cash provided by operating activities	69,453	103,594
Cash flows from investing activities:		
Capital expenditures	(25,045)	(20,238)
Proceeds from sale of assets	2,765	8,785
Changes in restricted cash	73,505	24,137
Other	(904)	1,449
Net cash provided by investing activities	50,321	14,133
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	10,000	
Repayments of long-term debt and capital lease obligations	(39,878)	(141)
Proceeds from exercise of stock options	10,848	2,067
Tax impact from equity-based compensation	34,852	7,556
Purchases of common stock	(224,139)	(97,634)
Tax payments for restricted stock upon vesting	(3,036)	(3,737)
Payments of common stock dividends and equivalents	(19,099)	(31,039)
Net cash used in financing activities	(230,452)	(122,928)
Effect of exchange rate changes on cash and cash equivalents	(466)	237
Change in cash and cash equivalents	(111,144)	(4,964)
Cash and cash equivalents, at beginning of period	133,449	30,855

Cash and cash equivalents, at end of period	\$ 22,305	\$ 25,891
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See accompanying notes.

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Domino's Pizza, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited; tabular amounts in thousands, except percentages, share and per share amounts)

June 19, 2016

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally acce