

DOMINOS PIZZA INC  
Form 10-Q  
July 19, 2018  
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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 17, 2018**

**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)**

|                                                                               |                                              |
|-------------------------------------------------------------------------------|----------------------------------------------|
| <b>Delaware</b><br><b>(State or Other Jurisdiction of</b>                     | <b>38-2511577</b><br><b>(I.R.S. Employer</b> |
| <b>Incorporation or Organization)</b>                                         | <b>Identification No.)</b>                   |
| <b>30 Frank Lloyd Wright Drive</b>                                            |                                              |
| <b>Ann Arbor, Michigan</b><br><b>(Address of Principal Executive Offices)</b> | <b>48105</b><br><b>(Zip Code)</b>            |
| <b>(734) 930-3030</b>                                                         |                                              |
| <b>(Registrant's Telephone Number, Including Area Code)</b>                   |                                              |

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 12, 2018, Domino's Pizza, Inc. had 41,872,742 shares of common stock, par value \$0.01 per share, outstanding.



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**Domino s Pizza, Inc.**

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.**

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

| (In thousands)                               | June 17,<br>2018  | December 31, 2017<br>(Note) |
|----------------------------------------------|-------------------|-----------------------------|
| <b>Assets</b>                                |                   |                             |
| Current assets:                              |                   |                             |
| Cash and cash equivalents                    | \$ 157,788        | \$ 35,768                   |
| Restricted cash and cash equivalents         | 144,970           | 191,762                     |
| Accounts receivable, net                     | 182,816           | 173,677                     |
| Advertising fund assets, restricted          | 123,818           | 120,223                     |
| Inventories                                  | 40,161            | 39,961                      |
| Prepaid expenses and other                   | 33,361            | 18,389                      |
| <b>Total current assets</b>                  | <b>682,914</b>    | <b>579,780</b>              |
| Property, plant and equipment:               |                   |                             |
| Land and buildings                           | 31,951            | 29,171                      |
| Leasehold and other improvements             | 133,821           | 128,613                     |
| Equipment                                    | 225,672           | 216,599                     |
| Construction in progress                     | 34,109            | 32,482                      |
|                                              | 425,553           | 406,865                     |
| Accumulated depreciation and amortization    | (248,362)         | (237,279)                   |
| <b>Property, plant and equipment, net</b>    | <b>177,191</b>    | <b>169,586</b>              |
| Other assets:                                |                   |                             |
| Goodwill                                     | 15,351            | 15,423                      |
| Capitalized software, net                    | 58,893            | 52,823                      |
| Other assets                                 | 17,058            | 16,391                      |
| Deferred income taxes                        | 3,158             | 2,750                       |
| <b>Total other assets</b>                    | <b>94,460</b>     | <b>87,387</b>               |
| <b>Total assets</b>                          | <b>\$ 954,565</b> | <b>\$ 836,753</b>           |
| <b>Liabilities and stockholders' deficit</b> |                   |                             |
| Current liabilities:                         |                   |                             |

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|                                                    |                    |                    |
|----------------------------------------------------|--------------------|--------------------|
| Current portion of long-term debt                  | \$ 35,598          | \$ 32,324          |
| Accounts payable                                   | 79,417             | 106,894            |
| Insurance reserves                                 | 21,296             | 20,754             |
| Dividends payable                                  | 23,559             | 536                |
| Advertising fund liabilities                       | 117,360            | 120,223            |
| Other accrued liabilities                          | 100,185            | 117,554            |
| <b>Total current liabilities</b>                   | <b>377,415</b>     | <b>398,285</b>     |
| Long-term liabilities:                             |                    |                    |
| Long-term debt, less current portion               | 3,436,966          | 3,121,490          |
| Insurance reserves                                 | 33,208             | 30,611             |
| Other accrued liabilities                          | 36,181             | 21,751             |
| <b>Total long-term liabilities</b>                 | <b>3,506,355</b>   | <b>3,173,852</b>   |
| Stockholders' deficit:                             |                    |                    |
| Common stock                                       | 418                | 429                |
| Additional paid-in capital                         | 737                | 5,654              |
| Retained deficit                                   | (2,926,921)        | (2,739,437)        |
| Accumulated other comprehensive loss               | (3,439)            | (2,030)            |
| <b>Total stockholders' deficit</b>                 | <b>(2,929,205)</b> | <b>(2,735,384)</b> |
| <b>Total liabilities and stockholders' deficit</b> | <b>\$ 954,565</b>  | <b>\$ 836,753</b>  |

Note: The balance sheet at December 31, 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)**

|                                                 | <b>Fiscal Quarter Ended</b> |                          | <b>Two Fiscal Quarters Ended</b> |                          |
|-------------------------------------------------|-----------------------------|--------------------------|----------------------------------|--------------------------|
|                                                 | <b>June 17,<br/>2018</b>    | <b>June 18,<br/>2017</b> | <b>June 17,<br/>2018</b>         | <b>June 18,<br/>2017</b> |
| (In thousands, except per share data)           |                             |                          |                                  |                          |
| <b>Revenues:</b>                                |                             |                          |                                  |                          |
| Domestic Company-owned stores                   | \$ 118,795                  | \$ 112,430               | \$ 239,981                       | \$ 225,975               |
| Domestic franchise royalties and fees           | 87,418                      | 82,403                   | 176,908                          | 162,304                  |
| Supply chain                                    | 440,917                     | 390,104                  | 880,980                          | 778,657                  |
| International franchise royalties and fees      | 51,337                      | 43,674                   | 103,758                          | 85,892                   |
| Domestic franchise advertising                  | 80,929                      |                          | 163,140                          |                          |
| <b>Total revenues</b>                           | <b>779,396</b>              | <b>628,611</b>           | <b>1,564,767</b>                 | <b>1,252,828</b>         |
| <b>Cost of sales:</b>                           |                             |                          |                                  |                          |
| Domestic Company-owned stores                   | 91,976                      | 89,040                   | 185,014                          | 176,224                  |
| Supply chain                                    | 393,840                     | 346,726                  | 786,308                          | 689,943                  |
| <b>Total cost of sales</b>                      | <b>485,816</b>              | <b>435,766</b>           | <b>971,322</b>                   | <b>866,167</b>           |
| <b>Operating margin</b>                         | <b>293,580</b>              | <b>192,845</b>           | <b>593,445</b>                   | <b>386,661</b>           |
| General and administrative                      | 86,506                      | 79,978                   | 170,684                          | 157,760                  |
| Domestic franchise advertising                  | 80,929                      |                          | 163,140                          |                          |
| <b>Income from operations</b>                   | <b>126,145</b>              | <b>112,867</b>           | <b>259,621</b>                   | <b>228,901</b>           |
| Interest income                                 | 1,179                       | 276                      | 1,659                            | 387                      |
| Interest expense                                | (36,127)                    | (24,611)                 | (66,413)                         | (50,242)                 |
| <b>Income before provision for income taxes</b> | <b>91,197</b>               | <b>88,532</b>            | <b>194,867</b>                   | <b>179,046</b>           |
| <b>Provision for income taxes</b>               | <b>13,789</b>               | <b>22,791</b>            | <b>28,632</b>                    | <b>50,836</b>            |
| <b>Net income</b>                               | <b>\$ 77,408</b>            | <b>\$ 65,741</b>         | <b>\$ 166,235</b>                | <b>\$ 128,210</b>        |
| <b>Earnings per share:</b>                      |                             |                          |                                  |                          |
| Common stock basic                              | \$ 1.84                     | \$ 1.37                  | \$ 3.92                          | \$ 2.68                  |
| Common stock diluted                            | 1.78                        | 1.32                     | 3.78                             | 2.58                     |
| Dividends declared per share                    | \$ 0.55                     | \$ 0.46                  | \$ 1.10                          | \$ 0.92                  |
| See accompanying notes.                         |                             |                          |                                  |                          |



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**Domino's Pizza, Inc. and Subsidiaries**

**Condensed Consolidated Statements of Comprehensive Income**

**(Unaudited)**

|                                 | <b>Fiscal Quarter Ended</b> |                          | <b>Two Fiscal Quarters Ended</b> |                          |
|---------------------------------|-----------------------------|--------------------------|----------------------------------|--------------------------|
|                                 | <b>June 17,<br/>2018</b>    | <b>June 18,<br/>2017</b> | <b>June 17,<br/>2018</b>         | <b>June 18,<br/>2017</b> |
| (In thousands)                  |                             |                          |                                  |                          |
| Net income                      | \$ 77,408                   | \$ 65,741                | \$ 166,235                       | \$ 128,210               |
| Currency translation adjustment | (603)                       | 215                      | (1,058)                          | 282                      |
| Comprehensive income            | \$ 76,805                   | \$ 65,956                | \$ 165,177                       | \$ 128,492               |

See accompanying notes.

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|                                                                                   | <b>Two Fiscal Quarters<br/>Ended</b> |                          |
|-----------------------------------------------------------------------------------|--------------------------------------|--------------------------|
|                                                                                   | <b>June 17,<br/>2018</b>             | <b>June 18,<br/>2017</b> |
| (In thousands)                                                                    |                                      |                          |
| Cash flows from operating activities:                                             |                                      |                          |
| Net income                                                                        | \$ 166,235                           | \$ 128,210               |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                      |                          |
| Depreciation and amortization                                                     | 23,310                               | 19,773                   |
| Losses on sale/disposal of assets                                                 | 519                                  | 345                      |
| Amortization of debt issuance costs                                               | 5,469                                | 2,714                    |
| Provision for deferred income taxes                                               | 1,484                                | 3,581                    |
| Non-cash compensation expense                                                     | 11,443                               | 9,633                    |
| Excess tax benefits from equity-based compensation                                | (15,318)                             | (16,906)                 |
| Other                                                                             | 111                                  | 204                      |
| Changes in operating assets and liabilities                                       | (50,165)                             | (32,468)                 |
| Changes in advertising fund assets and liabilities, restricted                    | 11,624                               | (2,316)                  |
| Net cash provided by operating activities                                         | 154,712                              | 112,770                  |
| Cash flows from investing activities:                                             |                                      |                          |
| Capital expenditures                                                              | (37,290)                             | (25,230)                 |
| Proceeds from sale of assets                                                      | 323                                  | 26                       |
| Maturities of advertising fund investments, restricted                            | 29,007                               |                          |
| Purchases of advertising fund investments, restricted                             | (35,152)                             |                          |
| Other                                                                             | (672)                                | 493                      |
| Net cash used in investing activities                                             | (43,784)                             | (24,711)                 |
| Cash flows from financing activities:                                             |                                      |                          |
| Proceeds from issuance of long-term debt                                          | 905,000                              |                          |
| Repayments of long-term debt and capital lease obligations                        | (586,133)                            | (9,766)                  |
| Proceeds from exercise of stock options                                           | 5,206                                | 3,884                    |
| Purchases of common stock                                                         | (320,067)                            | (12,721)                 |
| Tax payments for restricted stock upon vesting                                    | (2,318)                              | (4,911)                  |
| Payments of common stock dividends and equivalents                                | (23,538)                             | (22,280)                 |
| Cash paid for financing costs                                                     | (8,207)                              |                          |
| Net cash used in financing activities                                             | (30,057)                             | (45,794)                 |
| Effect of exchange rate changes on cash                                           | (132)                                | 36                       |

|                                                                                                                                                                    |            |            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Change in cash and cash equivalents, restricted cash and cash equivalents                                                                                          | 80,739     | 42,301     |
| Cash and cash equivalents, beginning of period                                                                                                                     | 35,768     | 42,815     |
| Restricted cash and cash equivalents, beginning of period                                                                                                          | 191,762    | 126,496    |
| Cash and cash equivalents included in advertising fund assets, restricted, beginning of period                                                                     | 27,316     | 25,091     |
| Cash and cash equivalents, restricted cash and cash equivalents and cash and cash equivalents included in advertising fund assets, restricted, beginning of period | 254,846    | 194,402    |
| Cash and cash equivalents, end of period                                                                                                                           | 157,788    | 52,243     |
| Restricted cash and cash equivalents, end of period                                                                                                                | 144,970    | 161,685    |
| Cash and cash equivalents included in advertising fund assets, restricted, end of period                                                                           | 32,827     | 22,775     |
| Cash and cash equivalents, restricted cash and cash equivalents and cash and cash equivalents included in advertising fund assets, restricted, end of period       | \$ 335,585 | \$ 236,703 |

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 17, 2018**

**1. Basis of Presentation and Updates to Significant Accounting Policies**

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 accepted in the United States for complete financial statements. For further information, refer to the consolidated financial statements and footnotes for the fiscal year ended December 31, 2017 included in the Company's 2017 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 20, 2018 (the "2017 Form 10-K").

In the opinion of management, all adjustments, consisting of normal recurring items, considered necessary for a fair statement have been included. Operating results for the fiscal quarter ended June 17, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending December 30, 2018.

**Reclassification of Revenues**

Beginning in the first quarter of 2018, the Company began managing its franchised stores in Alaska and Hawaii as part of its Domestic Stores segment (Note 3). Prior to 2018, the revenues from these franchised stores were included in the Company's International Franchise segment (Note 3). International franchise revenues for the second quarter and two fiscal quarters of 2017 include \$0.6 million and \$1.2 million, respectively, of franchise revenues related to these stores. These amounts have not been reclassified to conform to the current year presentation due to immateriality.

**Updates to Significant Accounting Policies**

The Company adopted Accounting Standards Codification 606, *Revenue from Contracts with Customers* (ASC 606) in the first quarter of 2018. As a result, the Company updated its significant accounting policies for revenue recognition, disaggregation of revenue and the recognition of advertising costs below. Refer to Note 13 for the full impact of the adoption of ASC 606 on the Company's financial statements.

***Revenue Recognition***

Domestic Company-owned stores revenues were \$118.8 million in the second quarter of 2018 and were \$240.0 million in the two fiscal quarters of 2018. Domestic Company-owned stores revenues are comprised of retail sales of food through Company-owned Domino's Pizza stores located in the United States and are recognized when the items are delivered to or carried out by customers. Customer payments are generally due at the time of sale. Sales taxes related to these sales are collected from customers and remitted to the appropriate taxing authority and are not reflected in the Company's condensed consolidated statements of income as revenue.

Domestic franchise royalties and fees were \$87.4 million in the second quarter of 2018 and were \$176.9 million in the two fiscal quarters of 2018. Domestic franchise royalties and fees are primarily comprised of royalties and fees from

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Domino's Pizza franchisees with operations in the United States. Royalty revenues are based on a percentage of franchise sales and are recognized when the items are delivered to or carried out by franchisees' customers. Domestic franchise fee revenue primarily relates to per-transaction technology fees that are recognized as the related sales occur. Payments for domestic royalties and fees are generally due within seven days of the prior week end date.

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Supply chain revenues were \$440.9 million in the second quarter of 2018 and were \$881.0 million in the two fiscal quarters of 2018. Supply chain revenues are primarily comprised of sales of food, equipment and supplies to franchised Domino's Pizza stores located in the United States and Canada. Revenues from the sale of food are recognized upon delivery of the food to franchisees and payments for food purchases are generally due within 30 days of the shipping date. Revenues from the sale of equipment and supplies are recognized upon delivery or shipment of the related products to franchisees, based on shipping terms, and payments for equipment and supplies are generally due within 90 days of the shipping date. The Company also offers profit sharing rebates and volume discounts to its franchisees. Obligations for profit sharing rebates are calculated each period based on actual results of its supply chain centers and are recognized as a reduction to revenue. Volume discounts are based on annual sales. Each period, the Company estimates the amount that will be earned and records a reduction to revenue.

International franchise royalties and fees were \$51.3 million in the second quarter of 2018 and were \$103.8 million in the two fiscal quarters of 2018. International franchise royalties and fees are primarily comprised of royalties and fees from Domino's Pizza franchisees outside of the United States. Royalty revenues are recognized when the items are delivered to or carried out by franchise customers. Store opening fees received from international franchisees are recognized as revenue on a straight-line basis over the term of each respective franchise store agreement, which is typically 10 years. Development fees received from international master franchisees are also deferred when amounts are received and are recognized as revenue on a straight-line basis over the term of the respective master franchise agreement, which is typically 10 years. International franchise royalties and fees are invoiced at least quarterly and payments are generally due within 60 days.

Domestic franchise advertising revenues were \$80.9 million in the second quarter of 2018 and were \$163.1 million in the two fiscal quarters of 2018. Domestic franchise advertising revenues are primarily comprised of contributions from Domino's Pizza franchisees with operations in the United States to the Domino's National Advertising Fund Inc. (DNAF), the Company's not-for-profit subsidiary that administers the Domino's Pizza system's national and market level advertising activities in the United States. These contributions are based on a percentage of franchise sales and are recognized when items are delivered to or carried out by franchisees' customers. Payments for domestic franchise advertising revenues are generally due within seven days of the prior week end date. Although these revenues are restricted to be used only for advertising and promotional activities to benefit franchised stores, the Company has determined there are not performance obligations associated with the franchise advertising contributions received by DNAF that are separate from its domestic royalty payment stream and as a result, these franchise contributions and the related expenses are presented gross in the Company's condensed consolidated statement of income.

*Disaggregation of Revenue*

ASC 606 requires that companies disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Company has included its revenues disaggregated in its condensed consolidated statements of income to satisfy this requirement.

*Advertising Costs*

Domestic Stores (Note 3) are required to contribute a certain percentage of sales to DNAF. Domestic franchise advertising costs are accrued and expensed when the related domestic franchise advertising revenues are recognized, as DNAF is obligated to expend such revenues on advertising. Advertising costs funded by Company-owned stores are generally expensed as incurred and are included in general and administrative expense. The contributions from Company-owned stores that have not yet been expended are included in advertising fund assets, restricted on the Company's consolidated balance sheet. As of June 17, 2018, advertising fund assets, restricted of \$123.8 million included approximately \$6.4 million of cash contributed from Company-owned stores that had not yet been expended

and approximately \$117.4 million of assets which consisted of \$106.6 million of cash and investments, \$9.6 million of accounts receivable and \$1.2 million of prepaid expenses.

Domestic franchise advertising costs expended by DNAF are included in domestic franchise advertising expenses in the Company's consolidated statement of income. Certain costs incurred by the Company on behalf of DNAF were included in general and administrative expense in years prior to 2018. Refer to Note 13 for the full impact of the adoption of ASC 606 on the Company's financial statements.

**Table of Contents****2. Contract Liabilities**

Contract liabilities consist of deferred franchise fees and deferred development fees. Changes in deferred franchise fees and deferred development fees for the two fiscal quarters of 2018 were as follows:

|                                                                              | <b>Two Fiscal<br/>Quarters Ended<br/>June 17,<br/>2018</b> |
|------------------------------------------------------------------------------|------------------------------------------------------------|
| (In thousands)                                                               |                                                            |
| Deferred franchise fees and deferred development fees at beginning of period | \$ 19,404                                                  |
| Revenue recognized during the period                                         | (2,325)                                                    |
| New deferrals due to cash received and other                                 | 3,239                                                      |
| Deferred franchise fees and deferred development fees at end of period       | \$ 20,318                                                  |

**3. Segment Information**

The following table summarizes revenues, income from operations and earnings before interest, taxes, depreciation, amortization and other, which is the measure by which the Company allocates resources to its segments and which the Company refers to as Segment Income, for each of its reportable segments.

|                               | <b>Fiscal Quarters Ended June 17, 2018 and June 18, 2017</b> |                         |                                            |                                  |              |              |
|-------------------------------|--------------------------------------------------------------|-------------------------|--------------------------------------------|----------------------------------|--------------|--------------|
|                               | <b>Domestic<br/>Stores<br/>(1)</b>                           | <b>Supply<br/>Chain</b> | <b>International<br/>Franchise<br/>(2)</b> | <b>Intersegment<br/>Revenues</b> | <b>Other</b> | <b>Total</b> |
| <b>Revenues</b>               |                                                              |                         |                                            |                                  |              |              |
| 2018                          | \$ 287,142                                                   | \$ 474,471              | \$ 51,337                                  | \$ (33,554)                      | \$           | \$ 779,396   |
| 2017                          | 194,833                                                      | 420,725                 | 43,674                                     | (30,621)                         |              | 628,611      |
| <b>Income from operations</b> |                                                              |                         |                                            |                                  |              |              |
| 2018                          | \$ 73,193                                                    | \$ 36,494               | \$ 39,104                                  | N/A                              | \$ (22,646)  | \$ 126,145   |
| 2017                          | 64,296                                                       | 33,304                  | 35,602                                     | N/A                              | (20,335)     | 112,867      |
| <b>Segment Income</b>         |                                                              |                         |                                            |                                  |              |              |
| 2018                          | \$ 76,087                                                    | \$ 39,454               | \$ 39,150                                  | N/A                              | \$ (10,241)  | \$ 144,450   |
| 2017                          | 66,895                                                       | 35,874                  | 35,647                                     | N/A                              | (10,698)     | 127,718      |

|                               | <b>Two Fiscal Quarters Ended June 17, 2018 and June 18, 2017</b> |                         |                                            |                                  |              |              |
|-------------------------------|------------------------------------------------------------------|-------------------------|--------------------------------------------|----------------------------------|--------------|--------------|
|                               | <b>Domestic<br/>Stores<br/>(1)</b>                               | <b>Supply<br/>Chain</b> | <b>International<br/>Franchise<br/>(2)</b> | <b>Intersegment<br/>Revenues</b> | <b>Other</b> | <b>Total</b> |
| <b>Revenues</b>               |                                                                  |                         |                                            |                                  |              |              |
| 2018                          | \$ 580,029                                                       | \$ 948,426              | \$ 103,758                                 | \$ (67,446)                      | \$           | \$ 1,564,767 |
| 2017                          | 388,279                                                          | 840,731                 | 85,892                                     | (62,074)                         |              | 1,252,828    |
| <b>Income from operations</b> |                                                                  |                         |                                            |                                  |              |              |

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|                |            |           |           |     |             |            |
|----------------|------------|-----------|-----------|-----|-------------|------------|
| 2018           | \$ 148,481 | \$ 73,866 | \$ 80,628 | N/A | \$ (43,354) | \$ 259,621 |
| 2017           | 131,623    | 69,263    | 68,776    | N/A | (40,761)    | 228,901    |
| Segment Income |            |           |           |     |             |            |
| 2018           | \$ 154,431 | \$ 79,610 | \$ 80,721 | N/A | \$ (19,337) | \$ 295,425 |
| 2017           | 136,769    | 74,388    | 68,864    | N/A | (21,369)    | 258,652    |

- (1) The Domestic Stores segment includes \$80.9 million in the second quarter of 2018 and \$163.1 million in the two fiscal quarters of 2018 of revenues related to franchise advertising contributions due to the adoption of ASC 606 (Note 13). These contributions did not have an impact on income from operations or Segment Income.
- (2) The International Franchise segment includes \$0.6 million in revenues, income from operations and Segment Income in the fiscal quarter ended June 18, 2017 related to franchised stores in Alaska and Hawaii. The International Franchise segment includes \$1.2 million in revenues and \$1.1 million in income from operations and Segment Income in the two fiscal quarters ended June 18, 2017 related to franchised stores in Alaska and Hawaii. Beginning in the first quarter of 2018, franchised stores in Alaska and Hawaii are managed as part of the Company's Domestic Stores business and are included in the Domestic Stores segment results.

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The following table reconciles Total Segment Income to consolidated income before provision for income taxes.

|                                          | <b>Fiscal Quarter Ended</b> |                          | <b>Two Fiscal Quarters Ended</b> |                          |
|------------------------------------------|-----------------------------|--------------------------|----------------------------------|--------------------------|
|                                          | <b>June 17,<br/>2018</b>    | <b>June 18,<br/>2017</b> | <b>June 17,<br/>2018</b>         | <b>June 18,<br/>2017</b> |
| Total Segment Income                     | \$ 144,450                  | \$ 127,718               | \$ 295,425                       | \$ 258,652               |
| Depreciation and amortization            | (12,240)                    | (10,275)                 | (23,310)                         | (19,773)                 |
| Losses on sale/disposal of assets        | (154)                       | (163)                    | (519)                            | (345)                    |
| Non-cash compensation expense            | (5,379)                     | (4,413)                  | (11,443)                         | (9,633)                  |
| Recapitalization-related expenses        | (532)                       |                          | (532)                            |                          |
| Income from operations                   | 126,145                     | 112,867                  | 259,621                          | 228,901                  |
| Interest income                          | 1,179                       | 276                      | 1,659                            | 387                      |
| Interest expense                         | (36,127)                    | (24,611)                 | (66,413)                         | (50,242)                 |
| Income before provision for income taxes | \$ 91,197                   | \$ 88,532                | \$ 194,867                       | \$ 179,046               |

## 4. Earnings Per Share

|                                                         | <b>Fiscal Quarter Ended</b> |                          | <b>Two Fiscal Quarters Ended</b> |                          |
|---------------------------------------------------------|-----------------------------|--------------------------|----------------------------------|--------------------------|
|                                                         | <b>June 17,<br/>2018</b>    | <b>June 18,<br/>2017</b> | <b>June 17,<br/>2018</b>         | <b>June 18,<br/>2017</b> |
| Net income available to common stockholders and diluted | \$ 77,408                   | \$ 65,741                | \$ 166,235                       | \$ 128,210               |
| Basic weighted average number of shares                 | 42,044,035                  | 47,972,526               | 42,433,073                       | 47,906,187               |
| Earnings per share basic                                | \$ 1.84                     | \$ 1.37                  | \$ 3.92                          | \$ 2.68                  |
| Diluted weighted average number of shares               | 43,582,996                  | 49,776,821               | 43,981,253                       | 49,741,794               |
| Earnings per share diluted                              | \$ 1.78                     | \$ 1.32                  | \$ 3.78                          | \$ 2.58                  |

The denominators used in calculating diluted earnings per share for common stock for the second quarter and two fiscal quarters of 2018 do not include 68,760 and 90,670 options, respectively, to purchase common stock, as the effect of including these options would have been anti-dilutive. The denominators used in calculating diluted earnings per share for the second quarter and two fiscal quarters of 2018 do not include 116,624 restricted performance shares, as the performance targets for these awards had not yet been met. The denominators used in calculating diluted earnings per share for common stock for the second quarter and two fiscal quarters of 2017 do not include 69,010 options to purchase common stock, as the effect of including these options would have been anti-dilutive. The denominators used in calculating diluted earnings per share for the second quarter and two fiscal quarters of 2017 do not include 141,296 restricted performance shares, as the performance targets for these awards had not yet been met.

## 5. Stockholders Deficit

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The following table summarizes changes in Stockholders' Deficit for the two fiscal quarters of 2018.

|                                                          | Common Stock |        | Additional<br>Paid-in<br>Capital | Retained<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Loss |
|----------------------------------------------------------|--------------|--------|----------------------------------|---------------------|-----------------------------------------------|
|                                                          | Shares       | Amount |                                  |                     |                                               |
| Balance at December 31, 2017                             | 42,898,329   | \$ 429 | \$ 5,654                         | \$ (2,739,437)      | \$ (2,030)                                    |
| Net income                                               |              |        |                                  | 166,235             |                                               |
| Common stock dividends and equivalents                   |              |        |                                  | (46,561)            |                                               |
| Issuance of common stock, net                            | 7,866        |        |                                  |                     |                                               |
| Tax payments for restricted stock upon vesting           | (10,237)     |        | (2,318)                          |                     |                                               |
| Purchases of common stock                                | (1,353,564)  | (14)   | (19,245)                         | (300,808)           |                                               |
| Exercise of stock options                                | 295,299      | 3      | 5,203                            |                     |                                               |
| Non-cash compensation expense                            |              |        | 11,443                           |                     |                                               |
| Adoption of ASC 606 (Note 13)                            |              |        |                                  | (6,701)             |                                               |
| Currency translation adjustment                          |              |        |                                  |                     | (1,058)                                       |
| Reclassification adjustment for stranded taxes (Note 13) |              |        |                                  | 351                 | (351)                                         |
| Balance at June 17, 2018                                 | 41,837,693   | \$ 418 | \$ 737                           | \$ (2,926,921)      | \$ (3,439)                                    |

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### **6. Dividends**

During the second quarter of 2018, on April 24, 2018, the Company's Board of Directors declared a \$0.55 per share quarterly dividend on its outstanding common stock for shareholders of record as of June 15, 2018, which was paid on June 29, 2018. The Company had approximately \$23.6 million accrued for common stock dividends at June 17, 2018.

Subsequent to the second quarter, on July 18, 2018, the Company's Board of Directors declared a \$0.55 per share quarterly dividend on its outstanding common stock for shareholders of record as of September 14, 2018 to be paid on September 28, 2018.

### **7. Accumulated Other Comprehensive Loss**

Accumulated other comprehensive loss was approximately \$3.4 million at June 17, 2018 and was approximately \$2.0 million as of December 31, 2017 and represented currency translation adjustments, net of tax. During the first quarter of 2018, the Company adopted ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. As a result, the Company recorded a \$0.4 million reclassification from accumulated other comprehensive loss to the beginning balance of retained deficit during the first quarter of 2018. Refer to Note 13 for additional information related to the adoption of this new standard. The Company did not record any reclassifications out of accumulated other comprehensive loss to net income in the two fiscal quarters of 2018 or the two fiscal quarters of 2017.

### **8. Recapitalization**

On April 24, 2018, the Company completed a recapitalization (the "2018 Recapitalization") in which certain of the Company's subsidiaries issued new notes pursuant to an asset-backed securitization. The new notes consist of \$425.0 million Series 2018-1 4.116% Fixed Rate Senior Secured Notes, Class A-2-I with an anticipated term of 7.5 years (the "2018 A-2-I Fixed Rate Notes"), and \$400.0 million Series 2018-1 4.328% Fixed Rate Senior Secured Notes, Class A-2-II with an anticipated term of 9.25 years (the "2018 A-2-II Fixed Rate Notes" and, collectively with the 2018 A-2-I Fixed Rate Notes, the "2018 Notes") in an offering exempt from registration under the Securities Act of 1933, as amended. The 2018 Notes have scheduled principal payments of \$4.1 million in 2018, \$8.3 million in each of 2019 through 2024, \$401.4 million in 2025, \$4.0 million in 2026 and \$366.0 million in 2027. Gross proceeds from the issuance of the 2018 Notes were \$825.0 million.

A portion of the proceeds from the 2018 Recapitalization was used to repay the remaining \$490.1 million in outstanding principal and interest under the Company's 2015 five-year fixed rate notes, pre-fund a portion of the principal and interest payable on the 2018 Notes, pay transaction fees and expenses and repurchase and retire shares of the Company's common stock. In connection with the repayment of the 2015 five-year fixed rate notes, the Company expensed approximately \$3.2 million for the remaining unamortized debt issuance costs associated with these notes. Additionally, in connection with the 2018 Recapitalization, the Company capitalized \$8.2 million of debt issuance costs, which are being amortized into interest expense over the expected terms of the 2018 Notes.

### **9. Open Market Share Repurchase Program**

During the second quarter of 2018, the Company repurchased and retired 905,556 shares of its common stock under its Board of Directors-approved open market share repurchase program for a total of approximately \$219.0 million, or an average price of \$241.82 per share. During the two fiscal quarters of 2018, the Company repurchased and retired 1,353,564 shares of its common stock under its Board of Directors-approved open market share repurchase program for a total of approximately \$320.1 million, or an average price of \$236.46 per share. As of June 17, 2018, the end of

the second quarter, the Company had a total remaining authorized amount for share repurchases of approximately \$429.9 million.

The Company did not repurchase any shares of its common stock under its Board of Directors-approved open market share repurchase program in the second quarter of 2017. During the two fiscal quarters of 2017, the Company repurchased and retired 80,360 shares of its common stock under its Board of Directors-approved open market share repurchase program for a total of approximately \$12.7 million, or an average price of \$158.30 per share.

**Table of Contents****10. Fair Value Measurements**

Fair value measurements enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The Company classifies and discloses assets and liabilities carried at fair value in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The fair values of the Company's cash equivalents and investments in marketable securities are based on quoted prices in active markets for identical assets. The following tables summarize the carrying amounts and fair values of certain assets at June 17, 2018 and December 31, 2017:

|                                               |                 | At June 17, 2018          |                          |                      |
|-----------------------------------------------|-----------------|---------------------------|--------------------------|----------------------|
|                                               | Carrying Amount | Fair Value Level 1 Inputs | Estimated Level 2 Inputs | Using Level 3 Inputs |
| Cash equivalents                              | \$ 137,794      | \$ 137,794                | \$                       | \$                   |
| Restricted cash equivalents                   | 90,837          | 90,837                    |                          |                      |
| Investments in marketable securities          | 8,866           | 8,866                     |                          |                      |
| Advertising fund cash equivalents, restricted | 27,283          | 27,283                    |                          |                      |
| Advertising fund investments, restricted      | 80,152          | 80,152                    |                          |                      |

|                                               | At December 31, 2017 |                           |                          |                      |
|-----------------------------------------------|----------------------|---------------------------|--------------------------|----------------------|
|                                               | Carrying Amount      | Fair Value Level 1 Inputs | Estimated Level 2 Inputs | Using Level 3 Inputs |
| Cash equivalents                              | \$ 7,933             | \$ 7,933                  | \$                       | \$                   |
| Restricted cash equivalents                   | 96,375               | 96,375                    |                          |                      |
| Investments in marketable securities          | 8,119                | 8,119                     |                          |                      |
| Advertising fund cash equivalents, restricted | 19,945               | 19,945                    |                          |                      |
| Advertising fund investments, restricted      | 74,007               | 74,007                    |                          |                      |

Management estimated the approximate fair values of the 2015 fixed rate notes, the 2017 fixed and floating rate notes and the 2018 fixed rate notes as follows (in thousands):

|                                 | <b>June 17, 2018</b>    |                   | <b>December 31, 2017</b> |                   |
|---------------------------------|-------------------------|-------------------|--------------------------|-------------------|
|                                 | <b>Principal Amount</b> | <b>Fair Value</b> | <b>Principal Amount</b>  | <b>Fair Value</b> |
| 2015 Five-Year Fixed Rate Notes | \$                      | \$                | \$ 492,500               | \$ 494,470        |
| 2015 Ten-Year Fixed Rate Notes  | 784,000                 | 797,328           | 788,000                  | 821,884           |
| 2017 Five-Year Fixed Rate Notes | 595,500                 | 578,826           | 598,500                  | 592,515           |

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|                                    |         |         |         |           |
|------------------------------------|---------|---------|---------|-----------|
| 2017 Ten-Year Fixed Rate Notes     | 992,500 | 981,583 | 997,500 | 1,023,435 |
| 2017 Five-Year Floating Rate Notes | 297,750 | 298,941 | 299,250 | 300,746   |
| 2018 7.5-Year Fixed Rate Notes     | 425,000 | 422,875 |         |           |
| 2018 9.25-Year Fixed Rate Notes    | 400,000 | 402,400 |         |           |

The fixed and floating rate notes are classified as Level 2 measurements, as the Company estimates the fair value amount by using available market information. The Company obtained quotes from two separate brokerage firms that are knowledgeable about the Company's fixed and floating rate notes and, at times, trade these notes. The Company also performed its own internal analysis based on the information gathered from public markets, including information on notes that are similar to those of the Company. However, considerable judgment is required to interpret market data to estimate fair value. Accordingly, the fair value estimates presented are not necessarily indicative of the amount that the Company or the debtholders could realize in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values stated above.

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### **11. Legal Matters**

On February 14, 2011, Domino's Pizza LLC was named as a defendant in a lawsuit along with Fischler Enterprises of C.F., Inc., a franchisee, and Jeffrey S. Kidd, the franchisee's delivery driver, filed by Yvonne Wiederhold, the plaintiff, as Personal Representative of the Estate of Richard E. Wiederhold, deceased. The case involved a traffic accident in which the franchisee's delivery driver is alleged to have caused an accident involving a vehicle driven by Richard Wiederhold. Mr. Wiederhold sustained spinal injuries resulting in quadriplegia and passed away several months after the accident. The jury returned a \$10.1 million judgment for the plaintiff where the Company and Mr. Kidd were found to be 90% liable (after certain offsets and other deductions the final verdict was \$8.9 million). In the second quarter of 2016, the trial court ruled on all post-judgment motions and entered the judgment. The Company denies liability and in the third quarter of 2016 filed an appeal of the verdict on a variety of grounds. On May 11, 2018, the court of appeals reversed and remanded the case to the trial court for a new trial based on the plaintiff's improper closing argument. The Company continues to deny liability in this matter.

### **12. Supplemental Disclosures of Cash Flow Information**

The Company had non-cash investing activities related to accruals for capital expenditures of \$2.2 million at June 17, 2018 and \$4.0 million at December 31, 2017. During the first quarter of 2018, the Company renewed the lease of a supply chain center building and extended the term of the lease through 2033. As a result of the new lease, the Company recorded non-cash financing activities of \$2.6 million for the increase in capital lease assets and liabilities during the two fiscal quarters of 2018.

### **13. New Accounting Pronouncements**

#### **Recently Adopted Accounting Standards**

##### *Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606)*

In May 2014, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* and has since issued various amendments which provide additional clarification and implementation guidance. This standard has been codified as ASC 606. This guidance outlines a single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and superseded most revenue recognition guidance issued by the FASB, including industry specific guidance. On January 1, 2018, the Company adopted ASC 606 using the modified retrospective method.

The Company recognized the cumulative effect of initially applying ASC 606 as an adjustment to the opening balance of retained deficit. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The Company has determined that the store opening fees received from international franchisees do not relate to separate and distinct performance obligations from the franchise right and those upfront fees will therefore be recognized as revenue over the term of each respective franchise store agreement, which is typically 10 years. In the past, the Company recognized such fees as revenue when the related store opened. An adjustment to beginning retained deficit and a corresponding contract liability of approximately \$15.0 million (of which \$2.4 million was current and \$12.6 million was long-term) was established on the date of adoption associated with the fees received through December 31, 2017 that would have been deferred and recognized over the term of each respective franchise store agreement if the new guidance had been applied in the past. A deferred tax asset of \$3.5 million related to this contract liability was also established on the date of adoption.

The Company has also determined that ASC 606 requires a gross presentation on the consolidated statement of income for franchisee contributions received by and related expenses of DNAF, the Company's consolidated not-for-profit subsidiary. DNAF exists solely for the purpose of promoting the Domino's Pizza brand in the U.S. Under prior accounting guidance, the Company had presented the restricted assets and liabilities of DNAF in its consolidated balance sheets and had determined that it acted as an agent for accounting purposes with regard to franchisee contributions and disbursements. As a result, the Company historically presented the activities of DNAF net in its statements of income and statements of cash flows.

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Under the requirements of ASC 606, the Company determined that there are not performance obligations associated with the franchise advertising contributions received by DNAF that are separate from the Company's domestic royalty payment stream and as a result, these franchise contributions and the related expenses are presented gross in the Company's consolidated statement of income and consolidated statement of cash flows. While this change materially impacted the gross amount of reported franchise revenues and expenses, the impact is generally expected to be an offsetting increase to both revenues and expenses such that the impact on income from operations and net income is not expected to be material. An adjustment to beginning retained deficit and advertising fund liabilities of approximately \$6.4 million related to the timing of advertising expense recognition was recorded on the date of adoption. A deferred tax liability (which is reflected net against deferred tax assets in the consolidated balance sheet) of approximately \$1.6 million related to this adjustment was also established on the date of adoption.

The cumulative effect of the changes made to the Company's consolidated balance sheet as of January 1, 2018 for the adoption of ASC 606 were as follows (in thousands):

|                                                 | <b>Balance at<br/>December 31,<br/>2017</b> | <b>Adjustments<br/>Due to<br/>ASC<br/>606</b> | <b>Balance at<br/>January 1,<br/>2018</b> |
|-------------------------------------------------|---------------------------------------------|-----------------------------------------------|-------------------------------------------|
| <b>Assets</b>                                   |                                             |                                               |                                           |
| Other assets:                                   |                                             |                                               |                                           |
| Deferred income taxes                           | \$ 2,750                                    | \$ 1,878                                      | \$ 4,628                                  |
| <b>Liabilities and stockholders<br/>deficit</b> |                                             |                                               |                                           |
| <b>Current liabilities:</b>                     |                                             |                                               |                                           |
| Advertising fund liabilities                    | 120,223                                     | (6,425)                                       | 113,798                                   |
| Other accrued liabilities                       | 58,578                                      | 2,365                                         | 60,943                                    |
| <b>Long-term liabilities:</b>                   |                                             |                                               |                                           |
| Other accrued liabilities                       | 21,751                                      | 12,639                                        | 34,390                                    |
| <b>Stockholders' deficit:</b>                   |                                             |                                               |                                           |
| Retained deficit                                | (2,739,437)                                 | (6,701)                                       | (2,746,138)                               |

In accordance with the new revenue standard requirements, the impact of adoption on the Company's condensed consolidated statement of income for the second quarter and two fiscal quarters of 2018 and condensed consolidated balance sheet as of June 17, 2018 was as follows (in thousands):

|                                       | <b>As Reported</b> | <b>Fiscal Quarter Ended June 17, 2018<br/>Balances<br/>without the<br/>Adoption of<br/>ASC 606</b> | <b>Effect<br/>of<br/>Change<br/>Higher/<br/>(Lower)</b> |
|---------------------------------------|--------------------|----------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| <b>Revenues:</b>                      |                    |                                                                                                    |                                                         |
| Domestic franchise royalties and fees | \$ 87,418          | \$ 91,216                                                                                          | \$ (3,798)                                              |

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|                                            |         |         |         |
|--------------------------------------------|---------|---------|---------|
| International franchise royalties and fees | 51,337  | 51,333  | 4       |
| Domestic franchise advertising             | 80,929  |         | 80,929  |
| General and administrative                 | 86,506  | 90,327  | (3,821) |
| Domestic franchise advertising             | 80,929  |         | 80,929  |
| Income from operations                     | 126,145 | 126,118 | 27      |
| Income before provision for income taxes   | 91,197  | 91,170  | 27      |
| Provision for income taxes                 | 13,789  | 13,783  | 6       |
| Net income                                 | 77,408  | 77,387  | 21      |

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|                                            | <b>Two Fiscal Quarters Ended June 17, 2018</b> |                                                 |                                      |
|--------------------------------------------|------------------------------------------------|-------------------------------------------------|--------------------------------------|
|                                            | <b>As Reported</b>                             | <b>Balances without the Adoption of ASC 606</b> | <b>Effect of Change Higher/Lower</b> |
| <b>Revenues:</b>                           |                                                |                                                 |                                      |
| Domestic franchise royalties and fees      | \$ 176,908                                     | \$ 185,284                                      | \$ (8,376)                           |
| International franchise royalties and fees | 103,758                                        | 103,716                                         | 42                                   |
| Domestic franchise advertising             | 163,140                                        |                                                 | 163,140                              |
| General and administrative                 | 170,684                                        | 179,093                                         | (8,409)                              |
| Domestic franchise advertising             | 163,140                                        |                                                 | 163,140                              |
| Income from operations                     | 259,621                                        | 259,546                                         | 75                                   |
| Income before provision for income taxes   | 194,867                                        | 194,792                                         | 75                                   |
| Provision for income taxes                 | 28,632                                         | 28,615                                          | 17                                   |
| Net income                                 | 166,235                                        | 166,177                                         | 58                                   |

|                                             | <b>June 17, 2018</b> |                                                 |                                      |
|---------------------------------------------|----------------------|-------------------------------------------------|--------------------------------------|
|                                             | <b>As Reported</b>   | <b>Balances without the Adoption of ASC 606</b> | <b>Effect of Change Higher/Lower</b> |
| <b>Assets</b>                               |                      |                                                 |                                      |
| <b>Other assets:</b>                        |                      |                                                 |                                      |
| Deferred income taxes                       | \$ 3,158             | \$ 1,297                                        | \$ 1,861                             |
| <b>Liabilities and stockholders deficit</b> |                      |                                                 |                                      |
| <b>Current liabilities:</b>                 |                      |                                                 |                                      |
| Advertising fund liabilities                | 117,360              | 123,818                                         | (6,458)                              |
| Other accrued liabilities                   | 100,185              | 97,760                                          | 2,425                                |
| <b>Long-term liabilities:</b>               |                      |                                                 |                                      |
| Other accrued liabilities                   | 36,181               | 23,644                                          | 12,537                               |
| <b>Stockholders deficit:</b>                |                      |                                                 |                                      |
| Retained deficit                            | (2,926,921)          | (2,920,278)                                     | (6,643)                              |

ASU 2016-04, *Liabilities - Extinguishment of Liabilities* (Subtopic 405-20)

In March 2016, the FASB issued ASU 2016-04, *Liabilities - Extinguishment of Liabilities* (Subtopic 405-20): *Recognition of Breakage for Certain Prepaid Stored-Value Products* (ASU 2016-04). ASU 2016-04 aligns recognition of the financial liabilities related to prepaid stored-value products (for example, gift cards) with Topic 606, Revenues from Contracts with Customers, for non-financial liabilities. In general, these liabilities may be extinguished proportionately in earnings as redemptions occur, or when redemption is remote if issuers are not entitled to the unredeemed stored value. The Company adopted this guidance effective January 1, 2018 in connection with its adoption of ASC 606. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

*ASU 2016-18, Statement of Cash Flows (Topic 230)*

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ( ASU 2016-18 ), which requires that restricted cash and cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. ASU 2016-18 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017 and a retrospective transition method is required. The Company adopted this guidance in the first quarter of 2018 using the retrospective approach. The Company historically presented changes in restricted cash and cash equivalents in the investing section of its consolidated statement of cash flows. This new guidance did not impact the Company's financial results, but did result in a change in the presentation of restricted cash and restricted cash equivalents within the statement of cash flows.

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*ASU 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220)*

In February 2018, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The amendments in this updated standard allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. The Company adopted this standard in the first quarter of 2018 and, as a result, recorded a \$0.4 million reclassification from accumulated other comprehensive loss to the beginning balance of retained deficit during the first quarter of 2018.

**Accounting Standards Not Yet Adopted**

The Company has considered all new accounting pronouncements issued by the FASB and concluded the following accounting pronouncements may have a material impact on its consolidated financial statements, or represent accounting pronouncements for which the Company has not yet completed its assessment.

*ASU 2016-02, Leases (Topic 842)*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ( ASU 2016-02 ). ASU 2016-02 requires a lessee to recognize assets and liabilities on the balance sheet for leases with lease terms greater than 12 months. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, and early adoption is permitted. Based on a preliminary assessment, the Company expects the adoption of this guidance to have a material impact on its assets and liabilities due to the recognition of right-of-use assets and lease liabilities on its consolidated balance sheets. The Company is continuing its assessment, which may identify additional impacts this guidance will have on its consolidated financial statements and disclosures. The Company's current minimum lease commitments are disclosed in Note 5 to the 2017 Form 10-K.

*ASU 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326)*

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic 326): Measurement of Credit Losses on Financial Instruments* ( ASU 2016-13 ). ASU 2016-13 requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires a consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including those interim periods within those fiscal years. The Company is currently assessing the impact of adopting this standard, but does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

*ASU 2017-04, Intangibles – Goodwill and Other (Topic 350)*

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ( ASU 2017-04 ). ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. ASU 2017-04 is effective for public companies' annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently assessing the impact of adopting this standard, but based on a preliminary assessment, does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.



**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.****(Unaudited; tabular amounts in millions, except percentages and store data)**

The 2018 and 2017 second quarters referenced herein represent the twelve-week periods ended June 17, 2018 and June 18, 2017. The 2018 and 2017 two fiscal quarters referenced herein represent the twenty-four-week periods ended June 17, 2018 and June 18, 2017.

***Overview***

Domino's is the largest pizza company in the world based on global retail sales, with more than 15,100 locations in over 85 markets. Founded in 1960, our roots are in convenient pizza delivery, while a significant amount of our sales also come from carryout customers. Domino's generates revenues and earnings by charging royalties and fees to our independent franchisees. The Company also generates revenues and earnings by selling food, equipment and supplies to franchisees primarily in the U.S. and Canada, and by operating a number of our own stores. Franchisees profit by selling pizza and other complementary items to their local customers. In our international markets, we generally grant geographical rights to the Domino's Pizza® brand to master franchisees. These master franchisees are charged with developing their geographical area, and they profit by sub-franchising and selling ingredients and equipment to those sub-franchisees, as well as by running pizza stores. Everyone in the system can benefit, including the end consumer, who can feed their family Domino's menu items conveniently and economically.

Our financial results are driven largely by retail sales at our franchise and Company-owned stores. Changes in retail sales are driven by changes in same store sales and store counts. We monitor both of these metrics very closely, as they directly impact our revenues and profits, and we strive to consistently increase both metrics. Retail sales drive royalty payments from franchisees, as well as Company-owned store and supply chain revenues. Retail sales are primarily impacted by the strength of the Domino's Pizza® brand, the results of our extensive advertising through various media channels, the impact of technological innovation and digital ordering, our ability to execute our strong and proven business model and the overall global economic environment.

|                                                          | <b>Second Quarter<br/>of 2018 (1)</b> | <b>Second Quarter<br/>of 2017</b> | <b>Two Fiscal<br/>Quarters of 2018 (1)</b> | <b>Two Fiscal<br/>Quarters of 2017</b> |
|----------------------------------------------------------|---------------------------------------|-----------------------------------|--------------------------------------------|----------------------------------------|
| <b>Global retail sales growth</b>                        | +12.6%                                | +11.8%                            | +14.7%                                     | +12.5%                                 |
| <b>Same store sales growth:</b>                          |                                       |                                   |                                            |                                        |
| Domestic Company-owned stores                            | +5.1%                                 | +11.2%                            | +5.8%                                      | +12.6%                                 |
| Domestic franchise stores                                | +7.0%                                 | +9.3%                             | +7.7%                                      | +9.6%                                  |
| Domestic stores                                          | +6.9%                                 | +9.5%                             | +7.6%                                      | +9.8%                                  |
| International stores (excluding foreign currency impact) | +4.0%                                 | +2.6%                             | +4.4%                                      | +3.4%                                  |

**Store counts (at end of period):**

Domestic

Company-owned

stores 396 396

Domestic franchise

stores 5,296 5,042

Domestic stores 5,692 5,438

International stores 9,430 8,779

Total stores 15,122 14,217

**Income statement data:**

|                |          |        |          |        |            |        |            |        |
|----------------|----------|--------|----------|--------|------------|--------|------------|--------|
| Total revenues | \$ 779.4 | 100.0% | \$ 628.6 | 100.0% | \$ 1,564.8 | 100.0% | \$ 1,252.8 | 100.0% |
|----------------|----------|--------|----------|--------|------------|--------|------------|--------|

|               |       |       |       |       |       |       |       |       |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Cost of sales | 485.8 | 62.3% | 435.8 | 69.3% | 971.3 | 62.1% | 866.2 | 69.1% |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|

General and

|                |      |       |      |       |       |       |       |       |
|----------------|------|-------|------|-------|-------|-------|-------|-------|
| administrative | 86.5 | 11.1% | 80.0 | 12.7% | 170.7 | 10.9% | 157.8 | 12.6% |
|----------------|------|-------|------|-------|-------|-------|-------|-------|

Domestic franchise

|             |      |       |  |   |       |       |  |   |
|-------------|------|-------|--|---|-------|-------|--|---|
| advertising | 80.9 | 10.4% |  | % | 163.1 | 10.4% |  | % |
|-------------|------|-------|--|---|-------|-------|--|---|

Income from

|            |       |       |       |       |       |       |       |       |
|------------|-------|-------|-------|-------|-------|-------|-------|-------|
| operations | 126.1 | 16.2% | 112.9 | 18.0% | 259.6 | 16.6% | 228.9 | 18.3% |
|------------|-------|-------|-------|-------|-------|-------|-------|-------|

|                       |        |        |        |        |        |        |        |        |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Interest expense, net | (34.9) | (4.5)% | (24.3) | (3.9)% | (64.8) | (4.1)% | (49.9) | (4.0)% |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|

Income before

provision for income

|       |      |       |      |       |       |       |       |       |
|-------|------|-------|------|-------|-------|-------|-------|-------|
| taxes | 91.2 | 11.7% | 88.5 | 14.1% | 194.9 | 12.5% | 179.0 | 14.3% |
|-------|------|-------|------|-------|-------|-------|-------|-------|

Provision for income

|       |      |      |      |      |      |      |      |      |
|-------|------|------|------|------|------|------|------|------|
| taxes | 13.8 | 1.8% | 22.8 | 3.6% | 28.6 | 1.9% | 50.8 | 4.1% |
|-------|------|------|------|------|------|------|------|------|

|            |         |      |         |       |          |       |          |       |
|------------|---------|------|---------|-------|----------|-------|----------|-------|
| Net income | \$ 77.4 | 9.9% | \$ 65.7 | 10.5% | \$ 166.2 | 10.6% | \$ 128.2 | 10.2% |
|------------|---------|------|---------|-------|----------|-------|----------|-------|

- (1) In the first quarter of 2018, the Company began managing its franchised stores in Alaska and Hawaii as part of its Domestic Stores segment. Prior to 2018, store counts and retail sales from these franchised stores were included in the Company's international stores in the table above. Consolidated results of the Company have not been impacted by this change and prior year amounts have not been reclassified to conform to the current year presentation due to immateriality.

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During the second quarter and two fiscal quarters of 2018, we sustained our strong domestic and international same store sales performance. Our Domino's Piece of the Pie Rewards<sup>™</sup> loyalty program continues to contribute to our domestic same store sales performance. Additionally, we remained focused on growing online ordering and improving the digital customer experience through our technology platforms, including the launch of Domino's HotSpots<sup>™</sup> in the second quarter of 2018.

We also continued our global expansion with the opening of 156 net new stores in the second quarter of 2018, bringing our year-to-date total to 266 net new stores. We opened 113 net new stores internationally and 43 net new stores domestically during the second quarter of 2018. Overall, we believe this global store growth, along with our strong sales, emphasis on technology, operations, and marketing initiatives have combined to strengthen our brand.

Global retail sales, which are total retail sales at franchise and Company-owned stores worldwide, increased 12.6% in the second quarter of 2018 and 14.7% in the two fiscal quarters of 2018. These increases were driven primarily by an increase in worldwide store counts during the trailing four quarters as well as domestic and international same store sales growth and the positive impact from changes in foreign currency exchange rates. Domestic same store sales growth reflected the sustained positive sales trends and the continued success of our products, marketing and technology platforms. International same store sales growth also reflected continued strong performance.

Total revenues increased \$150.8 million, or 24.0%, in the second quarter of 2018 and \$312.0 million, or 24.9%, in the two fiscal quarters of 2018. The adoption of Accounting Standards Codification 606, *Revenue from Contracts with Customers* (ASC 606) in the first quarter of 2018 resulted in the recognition of \$80.9 million in revenue in the second quarter of 2018 and \$163.1 million in revenue in the two fiscal quarters of 2018 related to domestic franchise contributions to Domino's National Advertising Fund Inc. (DNAF), our consolidated not-for-profit advertising fund. In the second quarter and two fiscal quarters of 2017 under accounting standards in effect at that time, we had presented these contributions net with the related disbursements in our condensed consolidated statement of income. Refer to Note 13 to the consolidated financial statements for additional information related to the adoption of this new accounting standard. The remaining increases in revenues were due primarily to higher supply chain volumes resulting from order and store count growth, as well as higher international franchise, Company-owned store and domestic franchise revenues resulting from same store sales and store count growth. These changes in revenues are described in more detail below.

Income from operations increased \$13.2 million, or 11.8%, in the second quarter of 2018 and \$30.7 million, or 13.4%, in the two fiscal quarters of 2018. These increases were primarily driven by higher royalty revenues from domestic and international franchised stores, as well as increased supply chain volumes and higher Company-owned store margins, but were partially offset by higher general and administrative expenses. The positive impact of changes in foreign currency exchange rates on international franchise royalties also contributed to the increase in the second quarter and two fiscal quarters of 2018.

Net income increased \$11.7 million, or 17.7%, in the second quarter of 2018 and \$38.0 million, or 29.7%, in the two fiscal quarters of 2018. These increases were driven by higher income from operations, as noted above. A lower tax rate resulting from regulations under the Tax Cuts and Jobs Act of 2017 (the 2017 Tax Act) also positively impacted net income in the second quarter and two fiscal quarters of 2018 through a reduction in the provision for income taxes, but was partially offset by lower excess tax benefits from equity-based compensation. These increases in net income were also partially offset by higher interest expense resulting from a higher average debt balance and the amortization of approximately \$3.2 million of remaining unamortized debt issuance costs resulting from the repayment of our 2015 five-year fixed rates notes in connection with our 2018 recapitalization.

## ***Revenues***

|                                               | Second Quarter<br>of 2018 |        | Second<br>Quarter<br>of 2017 |        | Two Fiscal<br>Quarters of 2018 |        | Two Fiscal<br>Quarters of 2017 |        |
|-----------------------------------------------|---------------------------|--------|------------------------------|--------|--------------------------------|--------|--------------------------------|--------|
| Domestic<br>Company-owned<br>stores           | \$ 118.8                  | 15.2%  | \$ 112.4                     | 17.9%  | \$ 240.0                       | 15.3%  | \$ 226.0                       | 18.0%  |
| Domestic franchise<br>royalties and fees      | 87.4                      | 11.2%  | 82.4                         | 13.1%  | 176.9                          | 11.3%  | 162.3                          | 13.0%  |
| Supply chain                                  | 440.9                     | 56.6%  | 390.1                        | 62.1%  | 881.0                          | 56.4%  | 778.7                          | 62.1%  |
| International franchise<br>royalties and fees | 51.3                      | 6.6%   | 43.7                         | 6.9%   | 103.8                          | 6.6%   | 85.9                           | 6.9%   |
| Domestic franchise<br>advertising             | 80.9                      | 10.4%  |                              | %      | 163.1                          | 10.4%  |                                | %      |
| Total revenues                                | \$ 779.4                  | 100.0% | \$ 628.6                     | 100.0% | \$ 1,564.8                     | 100.0% | \$ 1,252.8                     | 100.0% |

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Revenues primarily consist of retail sales from our Company-owned stores, royalties, advertising contributions and fees from our domestic franchised stores, royalties and fees from our international franchised stores and sales of food, equipment and supplies from our supply chain centers to all of our domestic franchised stores and certain international franchised stores. Company-owned store and franchised store revenues may vary from period to period due to changes in store count mix. Supply chain revenues may vary significantly from period to period as a result of fluctuations in commodity prices as well as the mix of products we sell. In years prior to 2018, based on accounting guidance in effect at that time, the domestic franchise advertising contributions were shown net with the related disbursements in our condensed consolidated statement of income. In the first quarter of 2018, we adopted ASC 606, which requires these revenues and expenses to be presented gross on our condensed consolidated statement of income. Refer to Note 13 to the consolidated financial statements for additional information related to the adoption of this new accounting standard.

**Domestic Stores Revenues**

|                      | Second Quarter<br>of 2018 |        | Second Quarter<br>of 2017 |        | Two Fiscal<br>Quarters of<br>2018 |        | Two Fiscal<br>Quarters of 2017 |        |
|----------------------|---------------------------|--------|---------------------------|--------|-----------------------------------|--------|--------------------------------|--------|
| Domestic             |                           |        |                           |        |                                   |        |                                |        |
| Company-owned stores | \$ 118.8                  | 41.4%  | \$ 112.4                  | 57.7%  | \$ 240.0                          | 41.4%  | \$ 226.0                       | 58.2%  |
| Domestic franchise   |                           |        |                           |        |                                   |        |                                |        |
| royalties and fees   | 87.4                      | 30.4%  | 82.4                      | 42.3%  | 176.9                             | 30.5%  | 162.3                          | 41.8%  |
| Domestic franchise   |                           |        |                           |        |                                   |        |                                |        |
| advertising          | 80.9                      | 28.2%  |                           | %      | 163.1                             | 28.1%  |                                | %      |
| Domestic stores      | \$ 287.1                  | 100.0% | \$ 194.8                  | 100.0% | \$ 580.0                          | 100.0% | \$ 388.3                       | 100.0% |

Domestic stores revenues increased \$92.3 million, or 47.4%, in the second quarter of 2018 and increased \$191.7 million, or 49.4% in the two fiscal quarters of 2018. These increases were driven by the adoption of ASC 606, which requires a gross presentation of domestic franchise advertising contributions in our condensed consolidated statement of income, as well as higher royalty revenues earned on higher franchise same store sales and an increase in the average number of stores open in each period of 2018 as compared to the prior year. Higher domestic Company-owned same store sales also contributed to the increases in revenue. These changes in domestic stores revenues are more fully described below.

**Domestic Company-Owned Stores**

Revenues from domestic Company-owned store operations increased \$6.4 million, or 5.7%, in the second quarter of 2018 and increased \$14.0 million, or 6.2%, in the two fiscal quarters of 2018 due primarily to higher same store sales. Company-owned same store sales increased 5.1% in the second quarter of 2018 and 5.8% in the two fiscal quarters of 2018. Company-owned same store sales increased 11.2% in the second quarter of 2017 and 12.6% in the two fiscal quarters of 2017.

**Domestic Franchise Royalties and Fees**

Revenues from domestic franchise operations increased \$5.0 million, or 6.1%, in the second quarter of 2018 and increased \$14.6 million, or 9.0%, in the two fiscal quarters of 2018 due primarily to higher same store sales and an

increase in the average number of domestic franchised stores open during the period. Domestic franchise same store sales increased 7.0% in the second quarter of 2018 and 7.7% in the two fiscal quarters of 2018. Domestic franchise same store sales increased 9.3% in the second quarter of 2017 and 9.6% in the two fiscal quarters of 2017. Revenues further benefited from an increase in fees paid by franchisees for the use of our internally developed technology platforms.

*Domestic Franchise Advertising*

Revenues from domestic franchise advertising contributions were \$80.9 million in the second quarter of 2018 and were \$163.1 million in the two fiscal quarters of 2018. In years prior to 2018, based on accounting guidance in effect at the time, the domestic franchise advertising contributions were shown net with the related disbursements in our condensed consolidated statement of income. In the first quarter of 2018, we adopted ASC 606, which required these revenues and expenses to be presented gross on our condensed consolidated statement of income. Refer to Note 13 to the consolidated financial statements for additional information related to the adoption of this new accounting standard.

**Table of Contents****Supply Chain Revenues**

|                            | Second Quarter<br>of 2018 |        | Second Quarter<br>of 2017 |        | Two Fiscal<br>Quarters of 2018 |        | Two Fiscal<br>Quarters of 2017 |        |
|----------------------------|---------------------------|--------|---------------------------|--------|--------------------------------|--------|--------------------------------|--------|
| Domestic supply chain      | \$ 399.7                  | 90.7%  | \$ 356.0                  | 91.3%  | \$ 798.6                       | 90.6%  | \$ 709.6                       | 91.1%  |
| International supply chain | 41.2                      | 9.3%   | 34.1                      | 8.7%   | 82.4                           | 9.4%   | 69.1                           | 8.9%   |
| Total supply chain         | \$ 440.9                  | 100.0% | \$ 390.1                  | 100.0% | \$ 881.0                       | 100.0% | \$ 778.7                       | 100.0% |

**Domestic Supply Chain**

Domestic supply chain revenues increased \$43.7 million, or 12.3%, in the second quarter of 2018 and increased \$89.0 million, or 12.5%, in the two fiscal quarters of 2018. These increases were primarily attributable to higher volumes from increased order counts at the store level and store count growth. Our market basket pricing to stores increased 4.5% during the second quarter and two fiscal quarters of 2018, which resulted in an estimated increase in domestic supply chain revenues of \$14.6 million in the second quarter of 2018 and \$29.2 million in the two fiscal quarters of 2018.

**International Supply Chain**

Revenues from international supply chain operations increased \$7.1 million, or 20.8%, in the second quarter of 2018 and increased \$13.3 million, or 19.2%, in the two fiscal quarters of 2018. These increases resulted primarily from higher volumes from increased order counts at the store level. The positive impact of changes in foreign currency exchange rates of \$1.7 million in the second quarter of 2018 and \$3.5 million in the two fiscal quarters of 2018 also contributed to the increases.

**International Franchise Royalties and Fee Revenues**

Revenues from international franchise operations increased \$7.6 million, or 17.5%, in the second quarter of 2018 and increased \$17.9 million, or 20.8%, in the two fiscal quarters of 2018. These increases were due primarily to higher same store sales, an increase in the average number of international stores open during the period and the positive impact from changes in foreign currency exchange rates of \$1.1 million in the second quarter of 2018 and \$4.4 million in the two fiscal quarters of 2018. Excluding the impact of changes in foreign currency exchange rates, international franchise same store sales increased 4.0% in the second quarter of 2018 and 4.4% in the two fiscal quarters of 2018. Excluding the impact of changes in foreign currency exchange rates, international franchise same store sales increased 2.6% in the second quarter of 2017 and 3.4% in the two fiscal quarters of 2017. Revenues further benefited from an increase in fees paid by franchisees for the use of our internally developed technology platforms.

**Cost of Sales / Operating Margin**

|  | Second Quarter<br>of 2018 |        | Second Quarter<br>of 2017 |        | Two Fiscal<br>Quarters of 2018 |        | Two Fiscal<br>Quarters of 2017 |        |
|--|---------------------------|--------|---------------------------|--------|--------------------------------|--------|--------------------------------|--------|
|  | \$ 779.4                  | 100.0% | \$ 628.6                  | 100.0% | \$ 1,564.8                     | 100.0% | \$ 1,252.8                     | 100.0% |

|                               |          |       |          |       |          |       |          |       |
|-------------------------------|----------|-------|----------|-------|----------|-------|----------|-------|
| Consolidated revenues         |          |       |          |       |          |       |          |       |
| Consolidated cost of sales    | 485.8    | 62.3% | 435.8    | 69.3% | 971.3    | 62.1% | 866.2    | 69.1% |
| Consolidated operating margin | \$ 293.6 | 37.7% | \$ 192.8 | 30.7% | \$ 593.4 | 37.9% | \$ 386.7 | 30.9% |

Cost of sales consists primarily of Company-owned store and supply chain costs incurred to generate related revenues. Components of consolidated cost of sales primarily include food, labor and occupancy costs.

Consolidated operating margin (which we define as revenues less cost of sales) increased \$100.8 million, or 52.2%, in the second quarter of 2018 and increased \$206.7 million, or 53.5%, in the two fiscal quarters of 2018. These increases were primarily driven by the adoption of ASC 606, which requires a gross presentation of domestic franchise advertising contributions on our condensed consolidated statement of income. Higher international and domestic franchise revenues, as well as higher supply chain volumes and higher Company-owned store margins also contributed to the increased operating margin in the second quarter and two fiscal quarters of 2018. Franchise revenues and domestic franchise advertising revenues do not have a cost of sales component, so changes in these revenues have a disproportionate effect on the operating margin.

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As a percentage of revenues, the consolidated operating margin increased 7.0 percentage points in both the second quarter and two fiscal quarters of 2018 due primarily to the adoption of ASC 606, which requires a gross presentation of domestic franchise advertising contributions on our condensed consolidated statement of income. Company-owned store operating margins increased 1.8 percentage points in the second quarter of 2018 and increased 0.9 percentage points in the two fiscal quarters of 2018. Supply chain operating margins decreased 0.4 percentage points in the second quarter of 2018 and decreased 0.7 percentage points in the two fiscal quarters of 2018. These changes in margin are more fully discussed below.

**Domestic Company-Owned Stores Operating Margin**

|                        | Second Quarter<br>of 2018 |        | Second Quarter<br>of 2017 |        | Two Fiscal<br>Quarters of 2018 |        | Two Fiscal<br>Quarters of 2017 |        |
|------------------------|---------------------------|--------|---------------------------|--------|--------------------------------|--------|--------------------------------|--------|
| Revenues               | \$ 118.8                  | 100.0% | \$ 112.4                  | 100.0% | \$ 240.0                       | 100.0% | \$ 226.0                       | 100.0% |
| Cost of sales          | 92.0                      | 77.4%  | 89.0                      | 79.2%  | 185.0                          | 77.1%  | 176.2                          | 78.0%  |
| Store operating margin | \$ 26.8                   | 22.6%  | \$ 23.4                   | 20.8%  | \$ 55.0                        | 22.9%  | \$ 49.8                        | 22.0%  |

The domestic Company-owned store operating margin (which does not include certain store-level costs such as royalties and advertising) increased \$3.4 million, or 14.7%, in the second quarter of 2018 and increased \$5.2 million, or 10.5%, in the two fiscal quarters of 2018. Higher same store sales and lower insurance expense positively contributed to operating margin in the second quarter and two fiscal quarters of 2018. These increases were partially offset by higher food and labor costs. As a percentage of store revenues, the store operating margin increased 1.8 percentage points in the second quarter of 2018 and increased 0.9 percentage points in the two fiscal quarters of 2018, as discussed in more detail below.

Food costs increased 0.7 percentage points to 27.5% in the second quarter of 2018 and increased 0.5 percentage points to 27.4% in the two fiscal quarters of 2018.

Labor costs increased 0.5 percentage points to 30.0% in the second quarter of 2018 and increased 0.2 percentage points to 29.8% in the two fiscal quarters of 2018. These increases were due primarily to an increase in labor rates in certain markets.

Insurance costs decreased 2.0 percentage points to 3.2% in the second quarter of 2018 and decreased 0.9 percentage points to 3.1% in the two fiscal quarters of 2018. These decreases resulted from incremental insurance expense recorded in the second quarter of 2017 related to updated independent actuarial estimates for our casualty insurance program.

Transaction-related expenses decreased 0.6 percentage points to 3.1% in the second quarter of 2018 and decreased 0.4 percentage points to 3.2% in the two fiscal quarters of 2018. These decreases were primarily attributable to reduced credit card-related expenses in certain markets in which we operate.

Delivery costs decreased 0.2 percentage points to 3.4% in the second quarter of 2018 and decreased 0.3 percentage points to 3.3% in the two fiscal quarters of 2018 due primarily to the leveraging of higher same store sales.

**Supply Chain Operating Margin**

|                               | Second Quarter<br>of 2018 |        | Second Quarter<br>of 2017 |        | Two Fiscal<br>Quarters of 2018 |        | Two Fiscal<br>Quarters of 2017 |        |
|-------------------------------|---------------------------|--------|---------------------------|--------|--------------------------------|--------|--------------------------------|--------|
| Revenues                      | \$ 440.9                  | 100.0% | \$ 390.1                  | 100.0% | \$ 881.0                       | 100.0% | \$ 778.7                       | 100.0% |
| Cost of sales                 | 393.8                     | 89.3%  | 346.7                     | 88.9%  | 786.3                          | 89.3%  | 689.9                          | 88.6%  |
| Supply chain operating margin | \$ 47.1                   | 10.7%  | \$ 43.4                   | 11.1%  | \$ 94.7                        | 10.7%  | \$ 88.7                        | 11.4%  |

The supply chain operating margin increased \$3.7 million, or 8.5%, in the second quarter of 2018 and \$6.0 million, or 6.7% in the two fiscal quarters of 2018, primarily driven by higher volumes from increased store orders. As a percentage of supply chain revenues, the supply chain operating margin decreased 0.4 percentage points in the second quarter of 2018 and decreased 0.7 percentage points in the two fiscal quarters of 2018. These decreases were due primarily to higher delivery and labor costs, offset in part by procurement savings.

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**Table of Contents*****General and Administrative Expenses***

General and administrative expenses increased \$6.5 million, or 8.2%, in the second quarter of 2018 and increased \$12.9 million, or 8.2%, in the two fiscal quarters of 2018. These increases were primarily driven by continued investments in technological initiatives (primarily in e-commerce and information technology) as well as investments in other strategic areas. The reclassification of certain advertising expenses from general and administrative expenses to domestic franchise advertising expenses in 2018 partially offset these increases.

***Domestic Franchise Advertising Expenses***

Domestic franchise advertising expenses were \$80.9 million in the second quarter of 2018 and were \$163.1 million in the two fiscal quarters of 2018. In years prior to 2018, the domestic franchise advertising expenses were shown net with the related contributions in our condensed consolidated statement of income. In the first quarter of 2018, we adopted ASC 606, which required these revenues and expenses to be presented gross on our condensed consolidated statement of income. Refer to Note 13 to the consolidated financial statements for additional information related to the adoption of this new accounting standard.

***Interest Expense***

Interest expense increased \$11.5 million to \$36.1 million in the second quarter of 2018 and increased \$16.2 million to \$66.4 million in the two fiscal quarters of 2018. These increases were driven by higher average borrowings resulting from our recapitalization transactions completed on April 24, 2018 ( 2018 Recapitalization ) and July 24, 2017 ( 2017 Recapitalization ), offset in part by a lower weighted average borrowing rate. We also expensed approximately \$3.2 million for the remaining unamortized debt issuance costs on the 2015 five-year fixed rate notes repaid in connection with the 2018 Recapitalization. The Company's weighted average borrowing rate decreased to 4.0% in the second quarter of 2018 and decreased to 3.9% in the two fiscal quarters of 2018, from 4.6% in both the second quarter and two fiscal quarters of 2017, resulting from the lower interest rates on the debt outstanding in the second quarter and two fiscal quarters of 2018 as compared to the same periods in 2017.

***Provision for Income Taxes***

Provision for income taxes decreased \$9.0 million to \$13.8 million in the second quarter of 2018 and decreased \$22.2 million to \$28.6 million in the two fiscal quarters of 2018. Although pre-tax income increased in both the second quarter and two fiscal quarters of 2018, the effective tax rate for both periods decreased due to the lower federal statutory rate of 21% resulting from the 2017 Tax Act enacted in December 2017. These decreases were partially offset by lower excess tax benefits on equity-based compensation, which are recorded as a reduction to the income tax provision. Excess tax benefits recorded were lower by \$3.5 million in the second quarter of 2018 and were lower by \$1.6 million in the two fiscal quarters of 2018 as compared to the prior year periods. The effective tax rate decreased to 15.1% during the second quarter of 2018 and decreased to 14.7% in the two fiscal quarters of 2018 as compared to 25.7% in the second quarter of 2017 and 28.4% in the two fiscal quarters of 2017.

***Liquidity and Capital Resources***

Historically, we have operated with minimal positive working capital or negative working capital, primarily because our receivable collection periods and inventory turn rates are faster than the normal payment terms on our current liabilities. We generally collect our receivables within three weeks from the date of the related sale, and we generally experience 35 to 45 inventory turns per year. In addition, our sales are not typically seasonal, which further limits our working capital requirements. These factors, coupled with the use of our ongoing cash flows from operations to

service our debt obligations, invest in our business, pay dividends and repurchase our common stock, reduce our working capital amounts. As of June 17, 2018, we had working capital of \$154.1 million, excluding restricted cash and cash equivalents of \$145.0 million, advertising fund assets, restricted, of \$123.8 million and advertising fund liabilities of \$117.4 million. Working capital includes total unrestricted cash and cash equivalents of \$157.8 million.

During the second quarter and two fiscal quarters of 2018, we experienced increases in both domestic and international same store sales versus the comparable periods in the prior year. Additionally, our international and domestic businesses grew store counts in the second quarter of 2018. These factors contributed to our continued ability to generate positive operating cash flows. We expect to use our unrestricted cash and cash equivalents, cash flows from operations and available borrowings under our variable funding notes to, among other things, fund working capital requirements, invest in our core business, service our indebtedness, pay dividends and repurchase our common stock. We have historically funded our working capital requirements, capital expenditures, debt repayments and repurchases of common stock primarily from our cash flows from operations and, when necessary, our available borrowings under variable funding note facilities. As of June 17, 2018, we had approximately \$18.3 million in commitments for capital expenditures related to building a new supply chain center that is expected to open in 2018.

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Based upon the current level of operations and anticipated growth, we believe that the cash generated from operations, our current unrestricted cash and cash equivalents and amounts available under our variable funding note facility will be adequate to meet our anticipated debt service requirements, capital expenditures and working capital needs for at least the next twelve months. Our ability to continue to fund these items and continue to reduce debt could be adversely affected by the occurrence of any of the events described under *Risk Factors* in our filings with the Securities and Exchange Commission. There can be no assurance that our business will generate sufficient cash flows from operations or that future borrowings will be available under the variable funding notes or otherwise to enable us to service our indebtedness, or to make anticipated capital expenditures. Our future operating performance and our ability to service, extend or refinance our fixed and floating rate notes and to service, extend or refinance our variable funding notes will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

*Restricted Cash*

As of June 17, 2018, we had approximately \$108.3 million of restricted cash held for future principal and interest payments, \$36.6 million of restricted cash held in a three-month interest reserve as required by the related debt agreements and \$0.1 million of other restricted cash for a total of \$145.0 million of restricted cash and cash equivalents. As of June 17, 2018, we also held \$32.8 million of advertising fund restricted cash and cash equivalents, which can only be used for activities that promote the Domino's Pizza brand.

*2018 Recapitalization*

On April 24, 2018, we completed the 2018 Recapitalization in which certain of our subsidiaries issued new notes pursuant to an asset-backed securitization. The new notes consist of \$425.0 million Series 2018-1 4.116% Fixed Rate Senior Secured Notes, Class A-2-I with an anticipated term of 7.5 years (the *2018 A-2-I Fixed Rate Notes*), and \$400.0 million Series 2018-1 4.328% Fixed Rate Senior Secured Notes, Class A-2-II with an anticipated term of 9.25 years (the *2018 A-2-II Fixed Rate Notes* and, collectively with the *2018 A-2-I Fixed Rate Notes*, the *2018 Notes*) in an offering exempt from registration under the Securities Act of 1933, as amended. The *2018 Notes* have scheduled principal payments of \$4.1 million in 2018, \$8.3 million in each of 2019 through 2024, \$401.4 million in 2025, \$4.0 million in 2026 and \$366.0 million in 2027. Gross proceeds from the issuance of the *2018 Notes* was \$825.0 million.

A portion of the proceeds from the 2018 Recapitalization was used to repay the remaining \$490.1 million in outstanding principal and interest under the Company's 2015 five-year fixed rate notes, pre-fund a portion of the principal and interest payable on the *2018 Notes*, pay transaction fees and expenses and repurchase and retire shares of the Company's common stock. In connection with the repayment of the 2015 five-year fixed rate notes, the Company expensed approximately \$3.2 million for the remaining unamortized debt issuance costs associated with these notes. Additionally, in connection with the 2018 Recapitalization, the Company capitalized \$8.2 million of debt issuance costs, which are being amortized into interest expense over the expected terms of the *2018 Notes*.

*Long-Term Debt*

As of June 17, 2018, we had approximately \$3.47 billion of long-term debt, of which \$35.6 million was classified as a current liability. Our fixed and floating rate notes from the recapitalizations we completed in 2018, 2017 and 2015 have original scheduled principal payments of \$17.6 million in the remainder of 2018, \$35.3 million in each of 2019 through 2021, \$888.0 million in 2022, \$26.3 million in each of 2023 through 2025, \$1.13 billion in 2026 and \$1.27 billion in 2027. As of June 17, 2018, we had no outstanding borrowings under our variable funding notes and \$128.3 million available for borrowing, net of letters of credit issued of \$46.7 million. The letters of credit are primarily related to our casualty insurance programs and supply chain center leases. During the second quarter of 2018, we

borrowed \$80.0 million under our variable funding notes to fund incremental share repurchases. These borrowings were repaid during the second quarter of 2018. Borrowings under the variable funding notes are available to fund our working capital requirements, capital expenditures, share repurchases and other general corporate purposes.

**Table of Contents***Share Repurchase Programs*

Our open market share repurchase programs have historically been funded by excess cash flows. On February 14, 2018, our Board of Directors authorized a new share repurchase program to repurchase up to \$750.0 million of the Company's common stock, which replaced the remaining availability under its previous \$1.25 billion authorization. During the second quarter of 2018, we repurchased and retired 905,556 shares of our common stock under our Board of Directors-approved open market share repurchase program for a total of approximately \$219.0 million, or an average price of \$241.82 per share. During the two fiscal quarters of 2018, we repurchased and retired 1,353,564 shares of our common stock under our Board of Directors-approved open market share repurchase program for a total of approximately \$320.1 million, or an average price of \$236.46 per share. As of June 17, 2018, the Company had a total remaining authorized amount for share repurchases of approximately \$429.9 million.

The Company did not repurchase any shares of its common stock under its Board of Directors-approved open market share repurchase program in the second quarter of 2017. During the two fiscal quarters of 2017, the Company repurchased and retired 80,360 shares of its common stock under its Board of Directors-approved open market share repurchase program for a total of approximately \$12.7 million, or an average price of \$158.30 per share.

*Dividends*

During the second quarter of 2018, on April 24, 2018, the Company's Board of Directors declared a \$0.55 per share quarterly dividend on its outstanding common stock for shareholders of record as of June 15, 2018, which was paid on June 29, 2018. The Company had approximately \$23.6 million accrued for common stock dividends at June 17, 2018.

Subsequent to the second quarter, on July 18, 2018, the Company's Board of Directors declared a \$0.55 per share quarterly dividend on its outstanding common stock for shareholders of record as of September 14, 2018 to be paid on September 28, 2018.

The following table illustrates the main components of our cash flows:

| (In millions)                                                                | Two Fiscal Quarters<br>of 2018 (1) | Two Fiscal Quarters<br>of 2017 (1) |
|------------------------------------------------------------------------------|------------------------------------|------------------------------------|
| <b>Cash Flows Provided By (Used In)</b>                                      |                                    |                                    |
| Net cash provided by operating activities                                    | \$ 154.7                           | \$ 112.8                           |
| Net cash used in investing activities                                        | (43.8)                             | (24.7)                             |
| Net cash used in financing activities                                        | (30.1)                             | (45.8)                             |
| Exchange rate changes                                                        | (0.1)                              |                                    |
| Change in cash and cash equivalents,<br>restricted cash and cash equivalents | \$ 80.7                            | \$ 42.3                            |

- (1) In 2018, the Company adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that restricted cash and cash equivalents be included as components of total cash and cash equivalents as presented on the consolidated statement of cash flows. The prior year amounts have been recast. Refer to Note 13 to the consolidated financial statements for additional information

related to the adoption of this new accounting standard.

**Operating Activities**

Cash provided by operating activities increased \$41.9 million in the two fiscal quarters of 2018, primarily due to an increase in net income of \$38.0 million and an increase in non-cash amounts of \$6.1 million. The negative impact of changes in operating assets and liabilities of \$2.2 million partially offset these increases.

**Investing Activities**

Cash used in investing activities was \$43.8 million in the two fiscal quarters of 2018, which consisted primarily of \$37.3 million of capital expenditures (driven primarily by investments in technological initiatives, supply chain centers and Company-owned stores) and purchases of restricted advertising fund investments of \$35.2 million. These uses of cash were partially offset by maturities of restricted advertising fund investments of \$29.0 million. The Company adopted ASC 606 in the first quarter of 2018, which superseded the agency guidance the Company historically applied to present advertising fund investment activities net in the Company's consolidated statement of cash flows. Refer to Note 13 to the consolidated financial statements for additional information related to the Company's adoption of ASC 606.

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Cash used in investing activities was \$24.7 million in the two fiscal quarters of 2017, which consisted primarily of \$25.2 million of capital expenditures (driven primarily by investments in our technological initiatives, Company-owned stores and supply chain centers).

**Financing Activities**

Cash used in financing activities was \$30.1 million in the two fiscal quarters of 2018. We issued \$825.0 million of debt in connection with our 2018 Recapitalization and borrowed \$80.0 million under our variable funding notes. However, these increases in cash were offset by repayments of long-term debt of \$586.1 million (of which \$490.0 million was an optional prepayment on our 2015 five-year fixed rate notes using a portion of the proceeds received from the 2018 Recapitalization and \$80.0 million related to the repayment of the borrowings under our variable funding notes), purchases of common stock of \$320.1 million, dividend payments to our shareholders of \$23.5 million, and cash paid for financing costs related to our 2018 Recapitalization of \$8.2 million. We also made \$2.3 million in tax payments for restricted stock upon vesting and received proceeds of \$5.2 million from the exercise of stock options.

Cash used in financing activities was \$45.8 million in the two fiscal quarters of 2017. We paid \$22.3 million in dividends to our shareholders, used \$12.7 million to repurchase shares of common stock, paid \$9.8 million on our long-term debt obligations, and made \$4.9 million in tax payments for restricted stock upon vesting. Proceeds of \$3.9 million from the exercise of stock options partially offset these uses of cash in financing activities.

**Table of Contents****Forward-Looking Statements**

This filing contains various forward-looking statements about the Company within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act") that are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. The following cautionary statements are being made pursuant to the provisions of the Act and with the intention of obtaining the benefits of the "safe harbor" provisions of the Act. You can identify forward-looking statements by the use of words such as "anticipates," "believes," "could," "should," "estimates," "expects," "intends," "may," "will," "plans," "predicts," "projects," "seeks," "approximately," "potential," "outlook," and phrases that concern our strategy, plans or intentions, including references to assumptions. These forward-looking statements address various matters including information concerning future results of operations and business strategy, our anticipated profitability, estimates in same store sales growth, the growth of our domestic and international business, ability to service our indebtedness, our future cash flows, our operating performance, trends in our business and other descriptions of future events reflect the Company's expectations based upon currently available information and data. While we believe these expectations and projections are based on reasonable assumptions, such forward-looking statements are inherently subject to risks, uncertainties and assumptions. Important factors that could cause actual results to differ materially from our expectations are more fully described in our other filings with the Securities and Exchange Commission, including under the section headed "Risk Factors" in our annual report on Form 10-K. Actual results may differ materially from those expressed or implied in the forward-looking statements as a result of various factors, including but not limited to: our substantial increased indebtedness as a result of our recapitalization transactions and our ability to incur additional indebtedness or refinance that indebtedness in the future; our future financial performance and our ability to pay principal and interest on our indebtedness; the effectiveness of our advertising, operations and promotional initiatives; the strength of our brand, including our ability to compete domestically and internationally in our intensely competitive industry; new product, digital ordering and concept developments by us, and other food-industry competitors; our ability to maintain good relationships with our franchisees and their ongoing level of profitability; our ability to successfully implement cost-saving strategies; our ability and that of our franchisees to successfully operate in the current and future credit environment; changes in the level of consumer spending given general economic conditions, including interest rates, energy prices and consumer confidence; our ability and that of our franchisees to open new restaurants and keep existing restaurants in operation; changes in operating expenses resulting from changes in prices of food (particularly cheese), fuel and other commodity costs, labor, utilities, insurance, employee benefits and other operating costs; the impact that widespread illness or general health concerns, severe weather conditions and natural disasters may have on our business and the economies of the countries where we operate; changes in foreign currency exchange rates; our ability to retain or replace our executive officers and other key members of management and our ability to adequately staff our stores and supply chain centers with qualified personnel; our ability to find and/or retain suitable real estate for our stores and supply chain centers; changes in government legislation and regulations, including changes in our effective tax rate; adverse legal judgments or settlements; food-borne illness or contamination of products; data breaches or other cyber risks; the effect of war, terrorism or catastrophic events; our ability to pay dividends and repurchase shares; changes in consumer preferences, spending and traffic patterns and demographic trends; changes in accounting policies; and adequacy of our insurance coverage. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this press release might not occur. All forward-looking statements speak only as of the date of this press release and should be evaluated with an understanding of their inherent uncertainty. Except as required under federal securities laws and the rules and regulations of the Securities and Exchange Commission, we will not undertake and specifically decline any obligation to publicly update or revise any forward-looking statements to reflect events or circumstances arising after the date of this press release, whether as a result of new information, future events or otherwise. You are cautioned not to place undue reliance on the forward-looking statements included in this press release or that may be made elsewhere from time to time by, or on behalf of, us. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.



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**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

***Market Risk***

The Company does not engage in speculative transactions nor does the Company hold or issue financial instruments for trading purposes. In connection with the recapitalizations of our business, we issued fixed and floating rate notes and entered into variable funding notes and, at June 17, 2018, we are exposed to interest rate risk on borrowings under our floating rate notes and variable funding notes. As of June 17, 2018, we had no outstanding borrowings under our variable funding notes and \$128.3 million available for borrowing, net of letters of credit issued of \$46.7 million. Our fixed rate debt exposes the Company to changes in market interest rates reflected in the fair value of the debt and to the risk that the Company may need to refinance maturing debt with new debt at a higher rate.

We are exposed to market risks from changes in commodity prices. During the normal course of business, we purchase cheese and certain other food products that are affected by changes in commodity prices and, as a result, we are subject to volatility in our food costs. We may periodically enter into financial instruments to manage this risk. As noted above, we do not engage in speculative transactions nor do we hold or issue financial instruments for trading purposes. In instances when we use fixed pricing agreements with our suppliers, these agreements cover our physical commodity needs, are not net-settled and are accounted for as normal purchases.

The Company is exposed to various foreign currency exchange rate fluctuations for revenues generated by operations outside the United States, which can adversely impact net income and cash flows. Approximately 6.6% of our total revenues in both the second quarter and two fiscal quarters of 2018 and 6.9% of our total revenues in both the second quarter and two fiscal quarters of 2017 were derived from our international franchise segment, a majority of which were denominated in foreign currencies. We also operate dough manufacturing and distribution facilities in Canada, which generate revenues denominated in Canadian dollars. We do not enter into financial instruments to manage this foreign currency exchange risk. A hypothetical 10% adverse change in the foreign currency rates in each of our top ten international markets, based on store count, would have resulted in a negative impact on revenues of approximately \$6.5 million in the two fiscal quarters of 2018.

**Item 4. Controls and Procedures.**

Management, with the participation of the Company's Chief Executive Officer, Richard E. Allison, Jr., and Executive Vice President and Chief Financial Officer, Jeffrey D. Lawrence, performed an evaluation of the effectiveness of the Company's disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, Mr. Allison and Mr. Lawrence concluded that the Company's disclosure controls and procedures were effective.

During the quarterly period ended June 17, 2018, there were no changes in the Company's internal controls over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

**Table of Contents****PART II. OTHER INFORMATION****Item 1. Legal Proceedings.**

We are a party to lawsuits, revenue agent reviews by taxing authorities and administrative proceedings in the ordinary course of business which include, without limitation, workers' compensation, general liability, automobile and franchisee claims. We are also subject to suits related to employment practices as well as intellectual property, including patents.

As previously disclosed in our annual report on Form 10-K filed with the Securities and Exchange Commission on February 20, 2018, on February 14, 2011, Domino's Pizza LLC was named as a defendant in a lawsuit along with Fischler Enterprises of C.F., Inc., a franchisee, and Jeffrey S. Kidd, the franchisee's delivery driver, filed by Yvonne Wiederhold, the plaintiff, as Personal Representative of the Estate of Richard E. Wiederhold, deceased. The case involved a traffic accident in which the franchisee's delivery driver is alleged to have caused an accident involving a vehicle driven by Richard Wiederhold. Mr. Wiederhold sustained spinal injuries resulting in quadriplegia and passed away several months after the accident. The jury returned a \$10.1 million judgment for the plaintiff where the Company and Mr. Kidd were found to be 90% liable (after certain offsets and other deductions the final verdict was \$8.9 million). In the second quarter of 2016, the trial court ruled on all post-judgment motions and entered the judgment. The Company denies liability and in the third quarter of 2016 filed an appeal of the verdict on a variety of grounds. On May 11, 2018, the court of appeals reversed and remanded the case to the trial court for a new trial based on the plaintiff's improper closing argument. The Company continues to deny liability in this matter.

While we may occasionally be party to large claims, including class action suits, we do not believe that any existing matters, individually or in the aggregate, will materially affect our financial position, results of operations or cash flows.

**Item 1A. Risk Factors.**

There have been no material changes in the risk factors previously disclosed in our 2017 Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.****c. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

| Period                                          | Total Number<br>of Shares<br>Purchased<br>(1) | Average Price<br>Paid Per<br>Share | Total Number of Shares<br>Purchased as Part of<br>Publicly Announced<br>Program (2) | Maximum Approximate<br>Dollar Value of<br>Shares<br>that May Yet Be<br>Purchased<br>Under the<br>Program (in<br>thousands) |
|-------------------------------------------------|-----------------------------------------------|------------------------------------|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
|                                                 |                                               |                                    |                                                                                     |                                                                                                                            |
| Period #4 (March 26, 2018<br>to April 22, 2018) | 353,600                                       | \$ 231.25                          | 351,699                                                                             | \$ 567,585                                                                                                                 |
| Period #5 (April 23, 2018 to<br>May 20, 2018)   | 246,179                                       | 247.69                             | 244,995                                                                             | 506,898                                                                                                                    |

|                                           |         |           |         |            |
|-------------------------------------------|---------|-----------|---------|------------|
| Period #6 (May 21, 2018 to June 17, 2018) | 310,064 | 249.26    | 308,862 | 429,932    |
| Total                                     | 909,843 | \$ 241.84 | 905,556 | \$ 429,932 |

- (1) 4,287 shares in the second quarter of 2018 were purchased as part of the Company's employee stock purchase discount plan. During the second quarter, the shares were purchased at an average price of \$245.27.
- (2) As previously disclosed, on February 14, 2018, the Company's Board of Directors authorized a \$750.0 million share repurchase program, which has no expiration date. As of June 17, 2018, the Company had approximately \$429.9 million remaining for future share repurchases under this program. Authorization for the repurchase program may be modified, suspended, or discontinued at any time. The repurchase of shares in any particular period and the actual amount of such purchases remain at the discretion of the Board of Directors, and no assurance can be given that shares will be repurchased in the future.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Table of Contents****Item 6. Exhibits.****Exhibit****Number****Description**

|         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.1     | <u>Purchase Agreement, dated April 18, 2018, by and among Domino's Pizza Master Issuer LLC, Domino's SPV Canadian Holding Company Inc., Domino's Pizza Distribution LLC, Domino's IP Holder LLC, Domino's Pizza, Inc., Domino's Pizza LLC, Domino's, Inc., the guarantors party thereto and Guggenheim Securities, LLC, as representative of the initial purchasers named in Schedule I thereto (Incorporated by reference to Exhibit 1.1 to the registrant's current report on Form 8-K filed on April 25, 2018).</u>                                  |
| 4.1     | <u>Supplemental Indenture, dated as of April 24, 2018, among Domino's Pizza Master Issuer LLC, Domino's SPV Canadian Holding Company Inc., Domino's Pizza Distribution LLC and Domino's IP Holder LLC, each as Co-Issuer of Series 2018-1 4.116% Fixed Rate Senior Secured Notes, Class A-2-I and Series 2018-1 4.328% Fixed Rate Senior Secured Notes, Class A-2-II, and Citibank, N.A., as Trustee and Securities Intermediary (Incorporated by reference to Exhibit 4.1 to the registrant's current report on Form 8-K filed on April 25, 2018).</u> |
| 10.1    | <u>Addendum to Amended and Restated Employment Agreement dated as of June 22, 2018 between Domino's Pizza LLC and David A. Brandon</u>                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 10.2    | <u>Addendum to the Employment agreement dated as of July 16, 2018 between Domino's Pizza LLC and J. Patrick Doyle</u>                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 31.1    | <u>Certification by Richard E. Allison, Jr. pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.</u>                                                                                                                                                                                                                                                                                                                                                        |
| 31.2    | <u>Certification by Jeffrey D. Lawrence pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.</u>                                                                                                                                                                                                                                                                                                                                                            |
| 32.1    | <u>Certification by Richard E. Allison, Jr. pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.</u>                                                                                                                                                                                                                                                                                                                            |
| 32.2    | <u>Certification by Jeffrey D. Lawrence pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.</u>                                                                                                                                                                                                                                                                                                                                |
| 101.INS | XBRL Instance Document.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 101.SCH | XBRL Taxonomy Extension Schema Document.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DOMINO S PIZZA, INC.

(Registrant)

Date: July 19, 2018

/s/ Jeffrey D. Lawrence  
Jeffrey D. Lawrence  
Chief Financial Officer

(On behalf of the registrant and as Principal Financial Officer)