

DOMINOS PIZZA INC
Form 10-Q
July 26, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 19, 2011

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)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

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

30 Frank Lloyd Wright Drive
Ann Arbor, Michigan
(Address of Principal Executive Offices)

48106
(Zip Code)

(734) 930-3030

(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

As of July 15, 2011, Domino's Pizza, Inc. had 60,789,803 shares of common stock, par value \$0.01 per share, outstanding.

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

(In thousands)	June 19, 2011	January 2, 2011 (Note)
Assets		
Current assets:		
Cash and cash equivalents	\$ 78,639	\$ 47,945
Restricted cash and cash equivalents	79,792	85,530
Accounts receivable	84,326	80,410
Inventories	28,647	26,998
Notes receivable	1,263	1,509
Prepaid expenses and other	21,692	9,760
Advertising fund assets, restricted	31,855	36,134
Deferred income taxes	14,017	16,752
Total current assets	340,231	305,038
Property, plant and equipment:		
Land and buildings	22,759	23,211
Leasehold and other improvements	81,797	83,451
Equipment	173,993	175,125
Construction in progress	3,990	4,028
	282,539	285,815
Accumulated depreciation and amortization	(190,217)	(188,431)
Property, plant and equipment, net	92,322	97,384
Other assets:		
Deferred financing costs	10,580	12,274
Goodwill	16,935	17,356
Capitalized software	8,328	7,788
Other assets	13,100	12,351
Deferred income taxes	5,493	8,646
Total other assets	54,436	58,415
Total assets	\$ 486,989	\$ 460,837
Liabilities and stockholders' deficit		
Current liabilities:		
Current portion of long-term debt	\$ 824	\$ 835
Accounts payable	58,688	56,602

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Insurance reserves	14,543	13,767
Advertising fund liabilities	31,855	36,134
Other accrued liabilities	66,442	78,788
Total current liabilities	172,352	186,126
Long-term liabilities:		
Long-term debt, less current portion	1,450,919	1,451,321
Insurance reserves	15,529	17,438
Other accrued liabilities	19,554	16,603
Total long-term liabilities	1,486,002	1,485,362
Stockholders' deficit:		
Common stock	607	601
Additional paid-in capital	32,336	45,532
Retained deficit	(1,201,685)	(1,254,044)
Accumulated other comprehensive loss	(2,623)	(2,740)
Total stockholders' deficit	(1,171,365)	(1,210,651)
Total liabilities and stockholders' deficit	\$ 486,989	\$ 460,837

Note: The balance sheet at January 2, 2011 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See accompanying notes.

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

(In thousands, except per share data)	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	June 19, 2011	June 20, 2010	June 19, 2011	June 20, 2010
Revenues:				
Domestic Company-owned stores	\$ 78,908	\$ 79,076	\$ 161,642	\$ 167,282
Domestic franchise	43,347	38,831	87,392	80,774
Domestic supply chain	215,500	205,430	432,067	417,959
International	47,178	39,068	93,018	77,520
Total revenues	384,933	362,405	774,119	743,535
Cost of sales:				
Domestic Company-owned stores	62,287	62,893	127,870	132,160
Domestic supply chain	192,140	182,208	384,486	369,555
International	19,812	16,968	39,464	33,492
Total cost of sales	274,239	262,069	551,820	535,207
Operating margin	110,694	100,336	222,299	208,328
General and administrative	48,648	45,787	95,141	96,238
Income from operations	62,046	54,549	127,158	112,090
Interest income	74	48	153	79
Interest expense	(21,044)	(21,770)	(42,501)	(45,924)
Other		1,493		7,636
Income before provision for income taxes	41,076	34,320	84,810	73,881
Provision for income taxes	15,828	11,695	32,451	26,737
Net income	\$ 25,248	\$ 22,625	\$ 52,359	\$ 47,144
Earnings per share:				
Common stock basic	\$ 0.42	\$ 0.39	\$ 0.87	\$ 0.81
Common stock diluted	0.40	0.37	0.83	0.78

See accompanying notes.

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

(In thousands)	Two Fiscal Quarters Ended	
	June 19,	June 20,
	2011	2010
Cash flows from operating activities:		
Net income	\$ 52,359	\$ 47,144
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,068	10,994
Gains on debt extinguishment		(7,636)
(Gains) losses on sale/disposal of assets	(1,637)	123
Amortization of deferred financing costs, debt discount and other	1,696	2,614
Provision for deferred income taxes	8,738	4,165
Non-cash compensation expense	5,884	5,901
Other	1,435	819
Changes in operating assets and liabilities	(35,131)	(14,484)
Net cash provided by operating activities	44,412	&nb