

DOMINOS PIZZA INC
Form 10-K
February 25, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended January 3, 2016

or

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

Commission File Number 001-32242

Domino s Pizza, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	38-2511577 (I.R.S. Employer Identification No.)
30 Frank Lloyd Wright Drive Ann Arbor, Michigan (Address of principal executive offices)	48105 (Zip Code)
Registrant's telephone number, including area code (734) 930-3030	

Securities registered pursuant to Section 12(b) of the Act:

Title of each class: Domino's Pizza, Inc. Common Stock, \$0.01 par value	Name of each exchange on which registered: New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: <u>None</u>	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act: Yes No

Indicate by check mark whether the 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K:

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.

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Large accelerated filer Accelerated filer
Non-accelerated filer (do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the
Act): Yes No

The aggregate market value of the voting and non-voting common stock held by non-affiliates of Domino's Pizza, Inc. as of June 14, 2015 computed by reference to the closing price of Domino's Pizza, Inc.'s common stock on the New York Stock Exchange on such date was \$6,091,696,809.

As of February 18, 2016, Domino's Pizza, Inc. had 49,854,019 shares of common stock, par value \$0.01 per share, outstanding.

Documents incorporated by reference:

Portions of the definitive proxy statement to be furnished to shareholders of Domino's Pizza, Inc. in connection with the annual meeting of shareholders to be held on April 26, 2016 are incorporated by reference into Part III.

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Throughout this document, Domino's Pizza, Inc. (NYSE: DPZ) is referred to as the Company, Domino's, Domino's Pizza or in the first person notations of we, us and our.

In this document, we rely on and refer to information regarding the U.S. quick service restaurant, or QSR, sector and the U.S. QSR pizza category from the CREST® report (years ending November) prepared by The NPD Group, as well as market research reports, analyst reports and other publicly-available information. Although we believe this information to be reliable, we have not independently verified it. Domestic sales information relating to the U.S. QSR sector and the U.S. QSR pizza category represent reported consumer spending obtained by The NPD Group's CREST® report from consumer surveys. This information relates to both our Company-owned and franchised stores.

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Part I

Item 1. Business.

Overview

Domino's is the second largest pizza restaurant chain in the world, with more than 12,500 locations in over 80 markets around the world. Founded in 1960, our roots are in convenient pizza delivery, while a significant amount of our sales also come from carryout customers. Although we are a highly-recognized global brand, we focus on serving the local neighborhoods in which we live and do business through our large network of franchise owners and Company-owned stores. On average, we sell more than 1.5 million pizzas each day throughout our global system.

Our business model is straightforward: we handcraft and serve quality food at a competitive price, with easy ordering access and efficient service, enhanced by our technology innovations. Our dough is generally made fresh and distributed to stores around the world by us and our franchisees.

Domino's generates revenues and earnings by charging royalties to its franchisees. Royalties are ongoing percent-of-sales fees for use of the Domino's brand marks. 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 Pizz[®] brand to master franchisees. These master franchisees are charged with developing their geographical area, and they may 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 business model can yield strong returns for our franchise owners and Company-owned stores. It can also yield significant cash flow to us, through a consistent franchise royalty payment and supply chain revenue stream, with moderate capital expenditures. We have historically returned cash to shareholders through dividend payments and share buybacks since becoming a publicly-traded company.

Our History

We pioneered the pizza delivery business and built Domino's Pizz[®] into one of the most widely-recognized consumer brands in the world. We have been delivering quality, affordable food to our customers since 1960, when brothers Thomas and James Monaghan borrowed \$900 to purchase a small pizza store in Ypsilanti, Michigan. Thomas purchased his brother's share of the business shortly thereafter. Concentrating first on building stores near college campuses and military bases in the 1960s and 1970s, the brand grew quickly in the 1980s in urban markets and near residential communities. We became Domino's Pizza in 1965 and opened our first franchised store in 1967. The first international stores opened in 1983, in Canada and Australia.

Monaghan sold 93% of his economic stake in the Company in 1998 to Bain Capital, LLC, then sold and transferred his remaining stake in the Company in 2004, when we completed our initial public offering.

Since 1998, the Company has been structured with a leveraged balance sheet and has completed a number of recapitalization events. The Company's most recent recapitalization transaction in 2015 (the 2015 Recapitalization) primarily consisted of the issuance of \$1.3 billion of fixed rate notes and the repurchase and retirement of \$551 million of previously outstanding fixed rate notes. Following the 2015 Recapitalization, and including debt from its

previous recapitalization in 2012 (the 2012 Recapitalization), the Company had \$2.24 billion in long-term debt.

We re-launched our brand in the U.S. in late 2009 by introducing a new recipe for our core pizza product. Since 2008, the majority of our menu has changed, either through the improvement of existing products or the introduction of new products, such as our Handmade Pan Pizza and Specialty Chicken. During this time frame, we also began expanding our focus on technology through our development of innovative ordering platforms and other technological advancements. Globally, we opened our 10,000th store in 2012, our 11,000th store in 2014 and our 12,000th store in 2015. In 2013, we announced a plan requiring all stores to adopt our new Pizza Theater store design, which is more inviting to customers and allows them to see their orders being made fresh in front of them. Our goal is to be substantially complete with these remodels by the end of 2017.

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Our Industry

The U.S. QSR pizza category is large and fragmented. From 2005 through 2015, the U.S. QSR pizza category has grown from \$31.5 billion to \$33.8 billion. It is the third-largest category within the \$273.0 billion U.S. QSR sector. The U.S. QSR pizza category is primarily comprised of delivery, dine-in and carryout.

In the U.S., we compete primarily in the delivery and carryout segments of the pizza industry. We are the market share leader in the delivery segment and we have the second largest share in the carryout segment. Delivery segment sales of \$9.7 billion in 2015 (down from \$11.1 billion in 2005) account for approximately 29% of total U.S. QSR pizza. The delivery segment declined during the period from 2005 to 2012, and has increased slightly since 2012, from \$9.6 billion in 2012 to \$9.7 billion in 2015. The three industry leaders, including Domino's, account for approximately 58% of U.S. pizza delivery, based on reported consumer spending, with the remaining sales going to regional chains and independent establishments. From 2005 to 2015, the carryout segment grew from \$12.9 billion to \$15.6 billion. The four industry leaders, including Domino's, account for approximately 42% of the carryout segment.

In contrast to the U.S., international pizza delivery is relatively underdeveloped, with only Domino's and two other competitors having a significant global presence. We believe that demand for pizza and pizza delivery is large and growing throughout the world, driven by international consumers' increasing emphasis on convenience, and the proven success of our 30 years of conducting business abroad.

Our Competition

The global pizza delivery and carryout segments are highly competitive. In the U.S., we compete against regional and local companies as well as national chains Pizza Hut®, Papa John's® and Little Caesars Pizza®. Internationally, we compete primarily with Pizza Hut®, Papa John's® and country-specific national and local pizzerias. We generally compete on the basis of product quality, location, image, service, technology and price. Our business and those of our competitors can be affected by changes in consumer tastes, economic conditions, demographic trends and consumers' disposable income. We compete not only for customers, but also for employees, suitable real estate sites and qualified franchisees.

Our Customers

The Company's business is not dependent upon a single retail customer or small group of customers, including franchisees. No customer accounted for more than 10% of total consolidated revenues in 2015, 2014 or 2013. Our largest franchisee based on store count, Domino's Pizza Enterprises (ASX: DMP), operates 1,561 stores in six international markets, and accounts for 12% of our total store count. Revenues from this master franchisee accounted for 1.4% of our consolidated revenues in 2015. Our international business unit only requires a minimal amount of general and administrative expenses to operate its markets, and does not have costs of sales. Therefore, the vast majority of these royalty revenues result in profits to us.

Our Menu

We offer a menu designed to present an attractive, quality offering to customers, while keeping it simple enough to minimize order errors and expedite order-taking and food preparation. Our basic menu features pizza products with varying sizes and crust types. Our typical store also offers oven-baked sandwiches, pasta, boneless chicken and wings, bread side items, desserts and Coca-Cola® soft drink products. International markets vary toppings by country and culture, such as squid topping in Japan or spicy cheese in India, and often feature regional specialty items, such as a banana and cinnamon dessert pizza in Brazil.

Store Image and Operations

We have been focused primarily on pizza delivery for over 50 years, as well as carryout as a significant component of our business. In 2012, we introduced our carryout-friendly Pizza Theater store design; we expect that substantially all of our stores will convert to this design by the end of 2017. Many stores will offer casual seating and will enable customers to watch the preparation of their orders, but will not offer a full-service dine-in experience. As a result, our stores generally do not require expensive restaurant facilities and staffing.

Research and Development

We conduct research and product development at our World Resource Center in Ann Arbor, Michigan. Company-sponsored research and development activities, which include testing new products for possible menu additions, are an important activity for us and our franchisees. We do not consider the amounts spent on research and development to be material.

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Our Business Segments

We operate in, and report, three business segments: domestic stores, international franchise and supply chain.

Domestic Stores

Our domestic stores segment consists primarily of our franchise operations, through which we oversee a network of 4,816 franchised stores located in the contiguous United States. We also operate a network of 384 domestic Company-owned stores located in the contiguous United States.

During 2015, our domestic stores segment accounted for \$669.7 million, or 30% of our consolidated revenues. We use our Company-owned stores as test sites for new products and promotions as well as operational improvements. We also use them for training new store managers and operations team members, as well as developing prospective franchisees. While we are primarily a franchised business, we continuously evaluate our mix of domestic Company-owned and franchise stores.

We maintain a productive relationship with our independent franchise owners through regional franchise teams, distributing materials that help franchise stores comply with our standards and using franchise advisory groups that facilitate communications between us and our franchisees.

Domestic Franchise Profile

As of January 3, 2016, our 4,816 domestic franchise stores were owned and operated by 841 domestic franchisees. Our franchise formula enables franchisees to benefit from our brand name with a relatively low initial capital investment. As of January 3, 2016, the average domestic franchisee owned and operated six stores and had been in our franchise system for over 17 years. At the same time, 13 of our domestic franchisees operated more than 50 stores (including our largest domestic franchisee who operated 191 stores) and 303 of our domestic franchisees each operated one store.

We apply rigorous standards to prospective domestic franchisees. We generally require them to manage a store for at least one year before being granted a franchise. This enables us to observe the operational and financial performance of a potential franchisee prior to entering into a long-term contract. Approximately 90% of our 841 independent domestic franchise owners started their careers with us as delivery drivers or in other in-store positions. We generally restrict the ability of domestic franchisees to be involved in other businesses, which focuses our franchisees' attention on operating their stores. As a result, the majority of our domestic franchisees have historically come from within the Domino's Pizza system. We believe these standards are largely unique to the franchise industry and result in qualified and focused franchisees operating their stores.

Domestic Franchise Agreements

We enter into franchise agreements with domestic franchisees under which the franchisee is granted the right to operate a store in a particular location for a term of ten years, with an ability to renew for an additional term of ten years. We have a franchise contract renewal rate of approximately 99%. Under the current standard franchise agreement, we assign an exclusive area of primary responsibility to each franchised store. Each franchisee is generally required to pay a 5.5% royalty fee on sales. In certain instances, we will collect lower rates based on area development agreements, sales initiatives and new store incentives.

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Our domestic stores currently contribute 6% of their retail sales to fund national marketing and advertising campaigns (subject, in limited instances, to lower rates based on certain incentives and waivers). These funds are administered by Domino's National Advertising Fund Inc. (DNAF), our not-for-profit advertising subsidiary. The funds are primarily used to purchase media for advertising, but also support market research, field communications, public relations, commercial production, talent payments and other activities to promote the brand. In addition to the national and market-level advertising contributions, domestic stores spend additional funds on local store marketing activities.

We have the contractual right, subject to state law, to terminate a franchise agreement for a variety of reasons, including, but not limited to, a franchisee's failure to adhere to the Company's franchise agreement, failure to make required payments, or failure to adhere to specified Company policies and standards.

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Our international franchise segment is comprised of a network of franchised stores in more than 80 international markets. At January 3, 2016, we had 7,330 international franchise stores. During 2015, this segment accounted for \$163.6 million, or 7% of our consolidated revenues. The principal sources of revenues from those operations are royalty payments generated by retail sales from franchised stores.

Our international franchisees employ our basic standard operating model, and adapt it to satisfy the local eating habits and consumer preferences of various regions outside the United States. Currently, the vast majority of our international stores operate under master franchise agreements.

We believe Domino's appeals to potential international franchisees because of our recognized brand name and technological leadership, the moderate capital expenditures required to open and operate our stores and our system's favorable store economics. In our top ten markets, four master franchise companies are publicly traded on stock exchanges: in Australia (ASX: DMP), India (JUBLFOOD: NS), Mexico (ALSEA: MX) and the United Kingdom (DOM: L). The following table shows our store count as of January 3, 2016 in our top ten international markets, which account for approximately 71% of our international stores.

Market	Number of stores
India	989
United Kingdom	868
Mexico	622
Australia	571
Turkey	460
Japan	432
South Korea	417
Canada	402
France	259
Saudi Arabia	176

International Franchisee Profile

The vast majority of our markets outside of the contiguous United States are operated by master franchisees with franchise and distribution rights for entire regions or countries. In a few select markets, we franchise directly to individual store operators. Prospective master franchisees are required to possess local market knowledge to establish and develop Domino's Pizza stores, with the ability to identify and access targeted real estate sites, as well as expertise in local laws, customs, culture and consumer behavior. We also seek candidates that have access to sufficient capital to meet growth and development plans.

Master Franchise Agreements

Our master franchise agreements generally grant the franchisee exclusive rights to develop or sub-franchise stores and the right to operate supply chain centers in particular geographic areas. Agreements are generally for a term of ten to 20 years, with options to renew for additional terms. The agreements typically contain growth clauses requiring franchisees to open a minimum number of stores within a specified period. The master franchisee is generally required to pay an initial, one-time franchise fee as well as an additional franchise fee upon the opening of each new store. The

master franchisee is also required to pay a continuing royalty fee as a percentage of retail sales, which varies among international markets, and averaged approximately 3.1% in 2015.

Supply Chain

Our supply chain segment operates 18 regional dough manufacturing and food supply chain centers in the U.S., one thin crust manufacturing center, one vegetable processing center and one center providing equipment and supplies to certain of our domestic and international stores. We also operate five dough manufacturing and food supply chain centers in Canada. Our supply chain segment leases a fleet of more than 500 tractors and trailers. During 2015, our supply chain segment accounted for \$1.38 billion, or 62% of our consolidated revenues.

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Our centers produce fresh dough and purchase, receive, store and deliver quality food and other complementary items to over 99% of our U.S. and Canadian franchised stores and all of our Company-owned stores. We regularly supply over 5,600 stores with various food and supplies. Our supply chain segment made approximately 581,000 full-service deliveries in 2015 or approximately two deliveries per store per week, and we produced over 415 million pounds of dough during 2015.

We believe our franchisees voluntarily choose to obtain food, supplies and equipment from us because we offer the most efficient, convenient and cost-effective alternative, while also offering both quality and consistency. Our supply chain segment offers profit-sharing arrangements to franchisees who purchase all of their food for their stores from our centers. These profit-sharing arrangements generally offer participating franchisees and Company-owned stores with 50% (or a higher percentage in the case of Company-owned stores and certain franchisees who operate a larger number of stores) of their regional supply chain center's pre-tax profits. We believe these arrangements strengthen our ties and provide aligned benefits with franchisees.

Third-Party Suppliers

Over half of our annual food spend is with suppliers where we have maintained a partnership of at least 20 years. Our supply partners are required to meet strict quality standards to ensure food safety. We review and evaluate these partners' quality assurance programs through (among other actions) on-site visits, third party audits and product evaluations to ensure compliance with our standards. We believe the length and quality of our relationships with third-party suppliers provides us with priority service and quality products at competitive prices.

Cheese is our largest food cost. The price we charge to our domestic franchisees for cheese is based on the Chicago Mercantile Exchange cheddar block price, plus a supply chain markup. As cheese prices fluctuate, our revenues and margin percentages in our supply chain segment also fluctuate; however, actual supply chain dollar margins remain unchanged. We currently purchase our domestic pizza cheese from a single supplier. Under the September 2012 agreement, our domestic supplier agreed to provide an uninterrupted supply of cheese and the Company agreed to a five-year pricing schedule to purchase all of its domestic pizza cheese from this supplier. While we expect to meet the terms of this agreement, if we do not, we will be required to repay the cost savings as outlined in the agreement. The majority of our meat toppings in the U.S. come from a single supplier under a contract that began in November 2015 and expires in December 2016. We have the right to terminate these arrangements for quality failures and for uncured breaches.

We are party to a multi-year agreement with Coca-Cola for the contiguous United States. This contract, renegotiated in December 2013, provides for Coca-Cola to continue to be our exclusive beverage supplier and expires on December 31, 2018 or at such time as a minimum number of cases of Coca-Cola products are purchased by us, whichever occurs later.

We believe alternative third-party suppliers are available for all of these referenced products. While we may incur additional costs if we are required to replace any of our supply partners, we do not believe such additional costs would have a material adverse effect on our business. We continually evaluate each supply category to determine the optimal sourcing strategy.

We have not experienced any significant shortages of supplies or delays in receiving our inventories or products. Prices charged to us by our supply partners are subject to fluctuation, and we have historically been able to pass increased costs and savings on to our stores. We periodically enter into supplier contracts to manage the risk from changes in commodity prices. We do not engage in speculative transactions, nor do we hold or issue financial instruments for trading purposes.

Our Strengths

Strong Brand Equity

We are the second largest pizza company in the world. We believe our Domino's Pizza® brand is one of the most widely-recognized consumer brands in the world. We are the recognized world leader in pizza delivery and have a significant business in carryout. We believe consumers associate our brand with the timely delivery of quality, affordable food.

Over the past five years, our U.S. franchise and Company-owned stores have invested an estimated \$1.5 billion in national, co-operative and local advertising. Our international franchisees also invest significant amounts in advertising efforts in their markets. We continue to reinforce our brand with extensive advertising through various media channels. We have also enhanced the strength of our brand through marketing affiliations with brands such as Coca-Cola.

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We are the number one pizza delivery company in the United States with a 28.0% share of pizza delivery based on reported consumer spending. With 5,200 stores located in the contiguous United States, our store delivery areas cover a majority of U.S. households. Our share position and scale allow us to leverage our purchasing power, supply chain strength and marketing investments. We believe our scale and market coverage allow us to effectively serve our customers' demands for convenience and timely delivery. Outside the U.S., we have significant market share positions in many of the markets in which we compete.

Strong and Proven Business Model

Our business model is comprised of domestic and international franchise royalties and fees, revenue from supply chain and revenue from retail sales at Company-owned stores. We have developed this model over our many years of operation and it is anchored by strong store-level economics, which provide an entrepreneurial incentive for our franchisees and historically has generated demand for new stores. Our franchise system, in turn, has produced strong and consistent earnings for us through royalty payments and through supply chain revenues, with moderate associated capital expenditures by us.

We developed a cost-efficient store model, characterized by a delivery- and carryout-oriented store design, with moderate capital requirements and a menu of quality, affordable items. At the store level, we believe the simplicity and efficiency of our operations give us significant advantages over our competitors, who, in many cases, also focus on dine-in or have broader menu offerings. At the supply chain level, we believe we provide quality and consistency for our franchise customers while also driving profits for us, which we share with our franchisees.

Our menu simplifies and streamlines production and delivery processes and maximizes economies of scale on purchases of our principal food items. In addition, our stores are small (historically averaging approximately 1,500 square feet) and less expensive to build, furnish and maintain as compared to many other restaurant concepts. Although new stores built in our Pizza Theater design may be slightly larger than stores we have built in the past, they are still generally smaller and less expensive than many other restaurant concepts. The combination of this efficient store model and strong sales volume has resulted in strong store-level financial returns and, we believe, makes Domino's Pizza an attractive business opportunity for existing and prospective franchisees around the world.

We believe our store economics have led to a strong, well-diversified franchise system. This established franchise system has produced strong cash flow and earnings for us, enabling us to invest in the Domino's Pizza® brand, stores, technology and supply chain centers, pay significant dividends, repurchase and retire shares of our common stock and repurchase and retire outstanding principal on our fixed rate notes.

Technological Innovation

Technological innovation is vital to our brand and our long-term success. Digital ordering is critical to competing in the global pizza industry. In 2015, approximately 50% of our U.S. sales came via digital platforms. That metric is higher in some of our international markets. We believe we are among the largest e-commerce retailers in terms of annual transactions. After launching digital ordering domestically in 2008, we made the strategic decision in 2010 to develop our own online ordering platform and to manage this important and growing area of our business internally. Over the next five years, we launched mobile applications that cover 95% of the smartphones and tablets on the U.S. market. In 2013, we launched an enhanced online ordering profiles platform, allowing customers the ability to reorder their favorite order in as few as five clicks, or 30 seconds. In 2014, we introduced Dom, a voice ordering application, which we believe is the first in the restaurant industry, and we also made the Domino's Tracker® available on the Pebble smartwatch platform. In 2015, we introduced several innovative ordering platforms including Samsung Smart TV®, Twitter, and text message using a pizza emoji.

During 2015, the Company also launched its Piece of the Pie Rewards loyalty program, which is meant to reward customers with a program that is simple to understand and easy to use. Upon signing up for the program, customers become rewards members and can earn points for online orders. When rewards members reach a certain amount of points, they can redeem their points for free pizza. Rewards members may also receive exclusive members-only discounts and bonus offers.

All of this improved functionality has been developed to work seamlessly with our Domino's PULSE point-of-sale system. Our Domino's PULSE system is designed to improve operating efficiencies for our franchisees and our corporate management and assist franchisees in independently managing their business. We have installed Domino's PULSE in every Company-owned store in the U.S., in more than 99% of our domestic franchised stores and in nearly 60% of our international stores.

We believe utilizing Domino's PULSE with our integrated technology solutions throughout our system, provides us with competitive advantages over other concepts. We intend to continue to enhance and grow our online ordering, digital marketing and technological capabilities.

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Product Innovation

In late 2009, we reintroduced our core pizza with a new recipe, which we believe has been key to our continued growth in customer reorder rate, consumer traffic and increased sales. This recipe is now in use in the vast majority of markets around the world. Our more than 50 years of innovation have resulted in numerous new product developments, including our more recent innovations of Handmade Pan Pizza, Specialty Chicken, Parmesan Bread Bites, Stuffed Cheesy Bread, and Marbled Cookie Brownie, among others. Product innovation is also present in our global markets, where our master franchisees have the ability to recommend products to suit their local market tastes. Products include the Mayo Jaga in Japan (bacon, potatoes and sweet mayonnaise) and the Saumoneta in France (light cream, potatoes, onions, smoked salmon and dill).

Internal Dough Manufacturing and Supply Chain System

In addition to generating significant revenues and earnings in the United States and Canada, we believe our vertically integrated dough manufacturing and supply chain system enhances the quality and consistency of our products, enhances our relationships with franchisees and leverages economies of scale to offer lower costs to our stores. It also allows store managers to better focus on store operations and customer service by relieving them of the responsibility of mixing dough in the stores and sourcing other ingredients. Many of our international master franchisees also profit from running supply chain businesses.

Our Ideals

We believe in: opportunity, hard work, inspired solutions, winning together, embracing community, and uncommon honesty.

Opportunity abounds at Domino's. You can start in an entry-level position and become a store owner – in fact, 90% of our independent domestic franchise owners started their careers with us as delivery drivers or in other in-store positions. Thousands of other team members – supervisors, trainers, quality auditors, international business consultants, marketers and executives – also began their careers in the stores. Internal growth and providing opportunities for anyone willing to work hard is the foundation of our core beliefs.

The ideals of inspired solutions, uncommon honesty and winning together were driving forces behind the relaunch of our brand. We were inspired by our harshest critics when it came to the perceived taste of our pizza. Our solution was not simply more advertising; the solution was to create a new recipe and a broader menu of great-tasting products. Our marketing campaign was shockingly honest in its approach: telling consumers (and showing them via television ads) that we heard their negative feedback and were listening. And, without the buy-in from our franchise owners, we couldn't have done it. We believe that we can't focus solely on the Company's success; we must focus on making our stores and our franchisees successful. That's winning together.

Community Involvement

We believe in supporting the communities we serve through donating our time, money and pizza. You can find more information about our community giving at biz.dominos.com. Here are two organizations worthy of note:

Our national philanthropic partner is St. Jude Children's Research Hospital®. St. Jude is internationally-recognized for its pioneering work in finding cures and saving children with cancer and other catastrophic diseases. Through a variety of internal and consumer-based activities, including a national fundraising campaign called *St. Jude Thanks and Giving*®, the Domino's Pizza system has contributed more than \$30.5 million to St. Jude since our partnership

began in 2004, including \$5.4 million in 2015. In 2015, Domino's cut the ribbon on the Domino's Event Center, a 10,000 square foot addition to the St. Jude campus in Memphis, Tenn., which was part of a \$35 million donation pledge over the next eight years. In addition to raising funds, we have supported St. Jude through in-kind donations, including hosting hospital-wide pizza parties for patients and their families. Our system also helps St. Jude build awareness through the inclusion of the St. Jude logo on millions of our pizza boxes and through a link on our consumer website.

We also support the Domino's Pizza Partners Foundation. Founded in 1986, the mission of the Partners Foundation is Team Members Helping Team Members. Primarily funded by team member and franchise contributions, the foundation is a separate, not-for-profit organization that has disbursed more than \$16.0 million since its inception, to meet the needs of Domino's team members facing crisis situations, such as fire, illness, or other personal tragedies.

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Additional Disclosures

Employees

As of January 3, 2016, we had approximately 11,900 employees in our Company-owned stores, supply chain centers, World Resource Center (our corporate headquarters) and regional offices. None of our employees are represented by a labor union or covered by a collective bargaining agreement. As franchisees are independent business owners, they and their employees are not included in our employee count. We consider our relationship with our employees and franchisees to be good. We estimate the total number of people who work in the Domino's Pizza system, including our employees, franchisees and the employees of franchisees, was more than 260,000 as of January 3, 2016.

Working Capital

Information about the Company's working capital is included in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7., pages 33 through 36.

Government Regulation

We, along with our franchisees, are subject to various federal, state and local laws affecting the operation of our business. Each store is subject to licensing and regulation by a number of governmental authorities, which include zoning, health, safety, sanitation, building and fire agencies in the jurisdiction in which the store is located. In connection with maintaining our stores, we may be required to expend funds to meet certain federal, state and local regulations, including regulations requiring that remodeled or altered stores be accessible to persons with disabilities. Difficulties in obtaining, or the failure to obtain, required licenses or approvals could delay or prevent the opening of a new store in a particular area or cause an existing store to cease operations. Our supply chain facilities are also licensed and subject to similar regulations by federal, state and local health and fire codes.

We are also subject to the Fair Labor Standards Act and various other federal and state laws governing such matters as minimum wage requirements, overtime and other working conditions and citizenship requirements. A significant number of both our and our franchisees' food service personnel are paid at rates related to the applicable minimum wage, and past increases in the minimum wage have increased labor costs, as would future increases.

We are subject to the rules and regulations of the Federal Trade Commission and various state laws regulating the offer and sale of franchises. The Federal Trade Commission and various state laws require that we furnish a franchise disclosure document containing certain information to prospective franchisees, and a number of states require registration of the franchise disclosure document with state authorities. We are operating under exemptions from registration in several states based on the net worth of our subsidiary, Domino's Pizza Franchising LLC, and experience. We believe our franchise disclosure document, together with any applicable state versions or supplements, and franchising procedures comply in all material respects with both the Federal Trade Commission guidelines and all applicable state laws regulating franchising in those states in which we have offered franchises.

Internationally, our franchise stores are subject to national and local laws and regulations that are often similar to those affecting our domestic stores, including laws and regulations concerning franchises, labor, health, sanitation and safety. Our international stores are also often subject to tariffs and regulations on imported commodities and equipment, and laws regulating foreign investment. We believe our international disclosure statements, franchise offering documents and franchising procedures comply in all material respects with the laws of the foreign countries in which we have offered franchises.

Privacy and Data Protection

We are subject to a number of privacy and data protection laws and regulations globally. The legislative and regulatory landscape for privacy and data protection continues to evolve, and there has been an increase in attention given to privacy and data protection issues with the potential to directly affect our business. This includes recently-enacted laws and regulations in the United States and internationally requiring notification to individuals and government authorities of security breaches involving certain categories of personal information. We have a privacy policy posted on our website at www.dominos.com and believe that we are in material compliance therewith.

Trademarks

We have many registered trademarks and service marks and believe that the Domino ® mark and Domino s Pizza® names and logos, in particular, have significant value and are important to our business. Our policy is to pursue registration of our trademarks and to vigorously oppose the infringement of any of our trademarks. We license the use of our registered marks to franchisees through franchise agreements.

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Environmental Matters

We are not aware of any federal, state or local environmental laws or regulations that we would expect to materially affect our earnings or competitive position, or result in material capital expenditures. However, we cannot predict the effect of possible future environmental legislation or regulations. During 2015, there were no material capital expenditures for environmental control facilities, and no such material expenditures are anticipated in 2016.

Seasonal Operations

The Company's business is not typically seasonal.

Backlog Orders

The Company has no backlog orders as of January 3, 2016.

Government Contracts

No material portion of the Company's business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the United States government.

Financial Information about Business Segments and Geographic Areas

Financial information about international and United States markets and business segments is incorporated herein by reference to Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related footnotes in Part II, Item 6., pages 22 through 23, Item 7. and 7A., pages 24 through 39 and Item 8., pages 40 through 71, respectively, of this Form 10-K.

Available Information

The Company makes available, free of charge, through its internet website biz.dominos.com, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports filed or furnished pursuant to Section 13(a), 15(d), or 16 of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after electronically filing such material with the Securities and Exchange Commission. You may read and copy any materials filed with the Securities and Exchange Commission at the Securities and Exchange Commission's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. This information is also available at www.sec.gov. The reference to these website addresses does not constitute incorporation by reference of the information contained on the websites and information appearing on those websites, including biz.dominos.com, should not be considered a part of this document.

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Item 1A. Risk Factors.

The quick service restaurant pizza category is highly competitive and such competition could adversely affect our operating results.

In the U.S., we compete against regional and local companies as well as national chains Pizza Hut®, Papa John ® and Little Caesars Pizza®. Internationally, we compete primarily with Pizza Hut®, Papa John ® and country-specific national and local pizzerias. We could experience increased competition from existing or new companies in the pizza category which could create increasing pressures to grow our business in order to maintain our market share. If we are unable to maintain our competitive position, we could experience downward pressure on prices, lower demand for our products, reduced margins, the inability to take advantage of new business opportunities and the loss of market share, all of which would have an adverse effect on our operating results and could cause our stock price to decline.

We also compete on a broader scale with quick service and other international, national, regional and local restaurants. The overall food service market and the quick service restaurant sector are intensely competitive with respect to food quality, price, service, image, convenience and concept, and are often affected by changes in:

consumer tastes;

international, national, regional or local economic conditions;

disposable purchasing power;

demographic trends; and

currency fluctuations related to international operations.

We compete within the food service market and the quick service restaurant sector not only for customers, but also for management and hourly employees, suitable real estate sites and qualified franchisees. Our supply chain segment is also subject to competition from outside suppliers. While over 99% of domestic franchisees purchased food, equipment and supplies from us in 2015, domestic franchisees are not required to purchase food, equipment or supplies from us and they may choose to purchase from outside suppliers. If other suppliers who meet our qualification standards were to offer lower prices or better service to our franchisees for their ingredients and supplies and, as a result, our franchisees chose not to purchase from our domestic supply chain centers, our financial condition, business and results of operations would be adversely affected.

If we fail to successfully implement our growth strategy, which includes opening new domestic and international stores, our ability to increase our revenues and operating profits could be adversely affected.

A significant component of our growth strategy includes the opening of new domestic and international stores. We and our franchisees face many challenges in opening new stores, including, among others:

availability of financing with acceptable terms;

selection and availability of suitable store locations;

negotiation of acceptable lease or financing terms;

securing required domestic or foreign governmental permits, licenses and approvals;

employment and training of qualified personnel; and

general economic and business conditions.

The opening of additional franchise stores also depends, in part, upon the availability of prospective franchisees who meet our criteria. Our failure to add a significant number of new stores would adversely affect our ability to increase revenues and operating income.

We and our franchisees are currently planning to expand our international operations in many of the markets where we currently operate and in select new markets. This may require considerable management time as well as start-up expenses for market development before any significant revenues and earnings are generated. Operations in new foreign markets may achieve low margins or may be unprofitable, and expansion in existing markets may be affected by local economic and market conditions. Therefore, as we expand internationally, we or our franchisees may not experience the operating margins we expect, our results of operations may be negatively impacted and our common stock price may decline.

We may also pursue strategic acquisitions as part of our business. If we are able to identify acquisition candidates, such acquisitions may be financed, to the extent permitted under our debt agreements, with substantial debt or with potentially dilutive issuances of equity securities.

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The food service market is affected by consumer preferences and perceptions. Changes in these preferences and perceptions may lessen the demand for our products, which would reduce sales and harm our business.

Food service businesses are affected by changes in consumer tastes, international, national, regional and local economic conditions, and demographic trends. For instance, if prevailing health or dietary preferences cause consumers to avoid pizza and other products we offer in favor of foods that are perceived as more healthy, our business and operating results would be harmed. Moreover, because we are primarily dependent on a single product, if consumer demand for pizza should decrease, our business would suffer more than if we had a more diversified menu, as many other food service businesses do.

Reports of food-borne illness or food tampering could reduce sales and harm our business.

Reports, whether true or not, of food-borne illnesses (such as E. Coli, avian flu, bovine spongiform encephalopathy, hepatitis A, trichinosis or salmonella) and injuries caused by food tampering have in the past severely injured the reputations of participants in the QSR sector and could in the future as well. The potential for acts of terrorism on our global food supply also exists and, if such an event occurs, it could have a negative impact on us and could severely hurt sales and profits. In addition, our reputation is an important asset; as a result, anything that damages our reputation could immediately and severely affect our sales and profits. Media reports of illnesses and injuries, whether accurate or not, could force some stores to close or otherwise reduce sales at such stores. In addition, reports of food-borne illnesses or food tampering, even those occurring solely at the restaurants of competitors, could, by resulting in negative publicity about the restaurant industry, adversely affect us on a local, regional, national or international basis.

Increases in food, labor and other costs could adversely affect our profitability and operating results.

An increase in our operating costs could adversely affect our profitability. Factors such as inflation, increased food costs, increased labor and employee health and benefit costs, increased rent costs and increased energy costs may adversely affect our operating costs. Most of the factors affecting costs are beyond our control and, in many cases, we may not be able to pass along these increased costs to our customers or franchisees. Most ingredients used in our pizza, particularly cheese, are subject to significant price fluctuations as a result of seasonality, weather, demand and other factors. The cheese block price per pound averaged \$1.62 in 2015, and the estimated increase in Company-owned store food costs from a hypothetical \$0.25 adverse change in the average cheese block price per pound would have been approximately \$2.2 million in 2015. Labor costs are largely a function of the minimum wage for a majority of our store personnel and certain supply chain center personnel and, generally, are also a function of the availability of labor. Labor costs and food costs, including cheese, represent approximately 50% to 60% of the sales at a typical Company-owned store.

We do not have long-term contracts with certain of our suppliers, and as a result they could seek to significantly increase prices or fail to deliver.

We do not have long-term contracts or arrangements with certain of our suppliers. Although in the past we have not experienced significant problems with our suppliers, our suppliers may implement significant price increases or may not meet our requirements in a timely fashion, or at all. The occurrence of any of the foregoing could have a material adverse effect on our results of operations.

Shortages or interruptions in the supply or delivery of fresh food products could adversely affect our operating results.

We and our franchisees are dependent on frequent deliveries of food products that meet our specifications. In addition, the Company has single suppliers or a limited number of suppliers for certain of its ingredients, including pizza cheese. While the Company believes there are adequate reserve quantities and potential alternative suppliers, shortages or interruptions in the supply of food products caused by unanticipated demand, problems in production or distribution, financial or other difficulties of suppliers, inclement weather or other conditions could adversely affect the availability, quality and cost of ingredients, could adversely affect our operating results.

Any prolonged disruption in the operations of any of our dough manufacturing and supply chain centers could harm our business.

We operate 18 regional dough manufacturing and supply chain centers, one thin crust manufacturing center and one vegetable processing center in the United States and five dough manufacturing and supply chain centers in Canada. Our domestic dough manufacturing and supply chain centers service all of our Company-owned stores and over 99% of our domestic franchise stores. As a result, any prolonged disruption in the operations of any of these facilities, whether due to technical or labor difficulties, destruction or damage to the facility, real estate issues, limited capacity or other reasons, could adversely affect our business and operating results.

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Our success depends in part upon effective advertising, and lower advertising funds may reduce our ability to adequately market the Domino's Pizza® brand.

We have been routinely named a Leading National Advertiser by Advertising Age. Each Domino's store located in the contiguous United States is obligated to pay a percentage of its sales in advertising fees. In fiscal 2015, each store in the contiguous United States generally was required to contribute 6% of their sales to DNAF (subject, in limited instances, to lower rates based on certain incentives and waivers), which uses such fees for national advertising in addition to contributions for local market-level advertising. We currently anticipate that this 6% contribution rate will remain in place for the foreseeable future. While additional funds for advertising in the past have been provided by us, our franchisees and other third parties, none of these additional funds are legally required. The lack of continued financial support for advertising activities could significantly curtail our marketing efforts, which may in turn materially and adversely affect our business and our operating results.

We face risks of litigation and negative publicity from customers, franchisees, suppliers, employees and others in the ordinary course of business, which can or could divert our financial and management resources. Any adverse litigation or publicity may negatively impact our financial condition and results of operations.

Claims of illness or injury relating to food quality or food handling are common in the food service industry, and vehicular accidents and injuries occur in the food delivery business. Claims within our industry of improper supplier actions have also recently arisen that, if made against one of our suppliers, could potentially damage our brand image. In addition, class action lawsuits have been filed, and may continue to be filed, against various quick service restaurants alleging, among other things, that quick service restaurants have failed to disclose the health risks associated with high-fat foods and that quick service restaurant marketing practices have encouraged obesity. In addition to decreasing our sales and profitability and diverting our management resources, adverse publicity or a substantial judgment against us could negatively impact our financial condition, results of operations and brand reputation, thereby hindering our ability to attract and retain franchisees and grow our business.

Further, we may be subject to employee, franchisee and other claims in the future based on, among other things, discrimination, harassment, wrongful termination and wage, rest break and meal break issues, and those claims relating to overtime compensation. We are currently subject to these types of claims and have been subject to these types of claims in the past. If one or more of these claims were to be successful or if there is a significant increase in the number of these claims or if we receive significant negative publicity, our business, financial condition and operating results could be harmed.

Loss of key employees or our inability to attract and retain new qualified employees could hurt our business and inhibit our ability to operate and grow successfully.

Our success in the highly competitive pizza delivery and carry-out business will continue to depend to a significant extent on our leadership team and other key management personnel. Other than with our President and Chief Executive Officer, J. Patrick Doyle, we do not have long-term employment agreements with any of our executive officers. As a result, we may not be able to retain our executive officers and key personnel or attract additional qualified management. While we do not have long-term employment agreements with our executive officers, for all of our executive officers we have non-compete and non-solicitation agreements that extend for 24 months following the termination of such executive officer's employment. Our success will also continue to depend on our ability to attract and retain qualified personnel to operate our stores, dough manufacturing and supply chain centers and international operations. The loss of these employees or our inability to recruit and retain qualified personnel could have a material adverse effect on our operating results.

Adverse global economic conditions subject us to additional risk.

Our financial condition and results of operations are impacted by global markets and economic conditions over which neither we nor our franchisees have control. An economic downturn, including deterioration in the economic conditions in the U.S. or international markets where we compete, may result in a reduction in the demand for our products, longer payment cycles, slower adoption of new technologies and increased price competition. Poor economic conditions may adversely affect the ability of our franchisees to pay royalties or amounts owed, and could have a material adverse impact on our ability to pursue our growth strategy, which would reduce cash collections and in turn, may materially and adversely affect our ability to service our debt obligations.

Our international operations subject us to additional risk. Such risks and costs may differ in each country in which we and our franchisees do business and may cause our profitability to decline due to increased costs.

We conduct a significant and growing portion of our business outside the United States. Our financial condition and results of operations may be adversely affected if global markets in which our franchise stores compete are affected by changes in political, economic or other factors. These factors, over which neither we nor our franchisees have control, may include:

recessionary or expansive trends in international markets;

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changing labor conditions and difficulties in staffing and managing our foreign operations;

increases in the taxes we pay and other changes in applicable tax laws;

legal and regulatory changes, and the burdens and costs of our compliance with a variety of foreign laws;

changes in inflation rates;

changes in exchange rates and the imposition of restrictions on currency conversion or the transfer of funds;

difficulty in collecting our royalties and longer payment cycles;

expropriation of private enterprises;

increases in anti-American sentiment and the identification of the Domino's Pizza® brand as an American brand;

political and economic instability; and

other external factors.

Fluctuations in the value of the U.S. dollar in relation to other currencies may lead to lower revenues and earnings.

Exchange rate fluctuations could have an adverse effect on our results of operations. Approximately 7.4% of our total revenues in 2015, 7.7% of our total revenues in 2014 and 7.4% of our total revenues in 2013 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. Sales made by franchise stores outside the United States are denominated in the currency of the country in which the store is located, and this currency could become less valuable in U.S. dollars as a result of exchange rate fluctuations. Unfavorable currency fluctuations could lead to increased prices to customers outside the United States or lower profitability to our franchisees outside the United States, or could result in lower revenues for us, on a U.S. dollar basis, from such customers and franchisees. A hypothetical 10% adverse change in the foreign currency rates in our international markets would have resulted in a negative impact on international royalty revenues of approximately \$15.6 million in 2015.

We may not be able to adequately protect our intellectual property, which could harm the value of our brand and branded products and adversely affect our business.

We depend in large part on our brand and branded products and believe that they are very important to our business. We rely on a combination of trademarks, copyrights, service marks, trade secrets and similar intellectual property

rights to protect our brand and branded products. The success of our business depends on our continued ability to use our existing trademarks and service marks in order to increase brand awareness and further develop our branded products in both domestic and international markets. We have registered certain trademarks and have other trademark registrations pending in the United States and foreign jurisdictions. Not all of the trademarks that we currently use have been registered in all of the countries in which we do business, and they may never be registered in all of these countries. We may not be able to adequately protect our trademarks and our use of these trademarks may result in liability for trademark infringement, trademark dilution or unfair competition. All of the steps we have taken to protect our intellectual property in the United States and in foreign countries may not be adequate. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States. Further, through acquisitions of third parties, we may acquire brands and related trademarks that are subject to the same risks as the brands and trademarks we currently own.

We may from time to time be required to institute litigation to enforce our trademarks or other intellectual property rights, or to protect our trade secrets. Such litigation could result in substantial costs and diversion of resources and could negatively affect our sales, profitability and prospects regardless of whether we are able to successfully enforce our rights.

Our earnings and business growth strategy depends on the success of our franchisees, and we may be harmed by actions taken by our franchisees, or employees of our franchisees, that are outside of our control.

A significant portion of our earnings comes from royalties and fees generated by our franchise stores. Franchisees are independent operators, and their employees are not our employees. We provide tools for franchisees to use in training their employees, but the quality of franchise store operations may be diminished by any number of factors beyond our control. Consequently, franchisees may not successfully operate stores in a manner consistent with our standards and requirements. If they do not, our image and reputation may suffer, and as a result our revenues and stock price could decline. While we try to ensure that our franchisees maintain the quality of our brand and branded products, our franchisees may take actions that adversely affect the value of our intellectual property or reputation. As of January 3, 2016, we had 841 domestic franchisees operating 4,816 domestic stores. 13 of these franchisees each operate over 50 domestic stores, including our largest domestic franchisee who operates 191 stores, and the average franchisee owns and operates six stores.

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In addition, our international master franchisees are generally responsible for the development of significantly more stores than our domestic franchisees. As a result, our international operations are more closely tied to the success of a smaller number of franchisees than our domestic operations. Our largest international master franchisee operates 1,561 stores in six markets, which accounts for approximately 21% of our total international store count. Our domestic and international franchisees may not operate their franchises successfully. If one or more of our key franchisees were to become insolvent or otherwise were unable or unwilling to pay us our royalties or other amounts owed, our business and results of operations would be adversely affected.

Interruption, failure or compromise of our information technology, communications systems and electronic data could hurt our ability to effectively serve our customers and protect customer data, which could damage our reputation and adversely affect our business and operating results.

A significant portion of our retail sales depends on the continuing operation of our information technology and communications systems, including but not limited to, Domino's PULSE, our online ordering platforms and our credit card processing systems. Our information technology, communication systems and electronic data may be vulnerable to damage or interruption from earthquakes, terrorist attacks, floods, fires, power loss, telecommunications failures, computer viruses, loss of data, unauthorized data breaches or other attempts to harm our systems. Additionally, we operate data centers that are also subject to break-ins, sabotage and intentional acts of vandalism that could cause disruptions in our ability to serve our customers and protect customer data. Some of our systems are not fully redundant, and our disaster recovery planning cannot account for all eventualities. The occurrence of a natural disaster, intentional sabotage or other unanticipated problems could result in lengthy interruptions in our service. Any errors or vulnerabilities in our systems, or damage to or failure of our systems, could result in interruptions in our services and non-compliance with certain regulations, which could reduce our revenues and profits, and damage our business and brand.

We rely on proprietary and commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential customer information, such as payment card and personal information and any unauthorized data breaches could damage our reputation and adversely affect our business.

Unauthorized intrusion into the portions of our computer systems or those of our franchisees that process and store information related to customer transactions may result in the theft of customer data. Furthermore, the systems currently used for transmission and approval of payment card transactions, and the technology utilized in payment cards themselves, all of which can put payment card data at risk, are determined and mandated by payment card industry standards, not by us. In addition to improper activities by third parties, bugs in newly-deployed or early stage advances in hardware and software capabilities, encryption technology, and other events or developments may facilitate or result in a compromise or breach of our computer systems. Any such compromises or breaches could cause interruptions in operations and damage to the reputation of the Domino's Pizza brand, subject us to costs and liabilities and hurt sales, revenues and profits.

We are subject to extensive government regulation and requirements issued by other groups and our failure to comply with existing or increased regulations could adversely affect our business and operating results.

We are subject to numerous federal, state, local and foreign laws and regulations, as well as, requirements issued by other groups, including those relating to:

the preparation, sale and labeling of food;

building and zoning requirements;

environmental protection;

minimum wage, overtime and other labor requirements;

compliance with securities laws and New York Stock Exchange listed company rules;

compliance with the Americans with Disabilities Act of 1990, as amended;

working and safety conditions;

menu labeling and other nutritional requirements;

compliance with the Payment Card Industry Data Security Standards (PCI DSS) and similar requirements;

compliance with the Patient Protection and Affordable Care Act, and subsequent amendments; and

compliance with the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules promulgated thereunder.

The Patient Protection and Affordable Care Act and subsequent amendments require employers such as us to provide health insurance for all qualifying employees or pay penalties for not providing coverage. The majority of the increases in these costs began in 2015 and we anticipate that they will escalate in subsequent years. While the incremental costs of this program have not been material to us, these costs will likely have an adverse effect on our results of operations and financial position, as well as an adverse effect on some of our larger franchisees.

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We may also become subject to legislation or regulation seeking to tax and/or regulate high-fat foods, foods with high sugar and salt content, or foods otherwise deemed to be unhealthy. If we fail to comply with existing or future laws and regulations, we may be subject to governmental or judicial fines or sanctions. In addition, our capital expenditures could increase due to remediation measures that may be required if we are found to be noncompliant with any of these laws or regulations.

We are also subject to a Federal Trade Commission rule and to various state and foreign laws that govern the offer and sale of franchises. Additionally, these laws regulate various aspects of the franchise relationship, including terminations and the refusal to renew franchises. The failure to comply with these laws and regulations in any jurisdiction or to obtain required government approvals could result in a ban or temporary suspension on future franchise sales, fines or other penalties or require us to make offers of rescission or restitution, any of which could adversely affect our business and operating results.

Our current insurance coverage may not be adequate, insurance premiums for such coverage may increase and we may not be able to obtain insurance at acceptable rates, or at all.

We have retention programs for workers' compensation, general liability and owned and non-owned automobile liabilities. We are generally responsible for up to \$1.0 million per occurrence under these retention programs for workers' compensation and general liability. We are also generally responsible for between \$500,000 and \$3.0 million per occurrence under these retention programs for owned and non-owned automobile liabilities. Total insurance limits under these retention programs vary depending upon the period covered and range up to \$110.0 million per occurrence for general liability and owned and non-owned automobile liabilities and up to the applicable statutory limits for workers' compensation. These insurance policies may not be adequate to protect us from liabilities that we incur in our business. In addition, in the future our insurance premiums may increase and we may not be able to obtain similar levels of insurance on reasonable terms, or at all. Any such inadequacy of, or inability to obtain insurance coverage could have a material adverse effect on our business, financial condition and results of operations.

Our annual and quarterly financial results are subject to significant fluctuations depending on various factors, many of which are beyond our control, and if we fail to meet the expectations of securities analysts or investors, our share price may decline significantly.

Our sales and operating results can vary significantly from quarter-to-quarter and year-to-year depending on various factors, many of which are beyond our control. These factors include, among other things:

variations in the timing and volume of our sales and our franchisees' sales;

the timing of expenditures in anticipation of future sales;

sales promotions by us and our competitors;

changes in competitive and economic conditions generally;

changes in the cost or availability of our ingredients or labor; and

foreign currency exposure.

As a result, our operational performance may decline quickly and significantly in response to changes in order patterns or rapid decreases in demand for our products. We anticipate that fluctuations in operating results will continue in the future.

Our common stock price could be subject to significant fluctuations and/or may decline.

The market price of our common stock could be subject to significant fluctuations. Among the factors that could affect our stock price are:

planned or actual changes to our capital or debt structure;

variations in our operating results;

changes in revenues or earnings estimates or publication of research reports by analysts;

speculation in the press or investment community;

strategic actions by us or our competitors, such as sales promotions, acquisitions or restructurings;

actions by institutional and other stockholders;

changes in our dividend policy;

changes in the market values of public companies that operate in our business segments;

general market conditions; and

domestic and international economic factors unrelated to our performance.

The stock markets in general have experienced volatility that has sometimes been unrelated to the operating performance of particular companies. These broad market fluctuations may cause the trading price of our common stock to decline.

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Our substantial indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business.

We have a substantial amount of indebtedness. As of January 3, 2016, our consolidated long-term indebtedness was approximately \$2.24 billion. We may also incur additional debt, which would not be prohibited under the terms of our current securitized debt agreements. Our substantial indebtedness could have important consequences to our business and our shareholders. For example, it could:

make it more difficult for us to satisfy our obligations with respect to our debt agreements;

increase our vulnerability to general adverse economic and industry conditions;

require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes; and

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, thereby placing us at a competitive disadvantage compared to our peers that may have less debt.

In addition, the financial and other covenants we agreed to with our lenders may limit our ability to incur additional indebtedness, make investments, pay dividends and engage in other transactions, and the leverage may cause potential lenders to be less willing to loan funds to us in the future. Our failure to comply with these covenants could result in an event of default that, if not cured or waived, could result in the acceleration of repayment of all of our indebtedness.

We may be unable to generate sufficient cash flow to satisfy our significant debt service obligations, which would adversely affect our financial condition and results of operations.

Our ability to make principal and interest payments on and to refinance our indebtedness will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If our business does not generate sufficient cash flow from operations, in the amounts projected or at all, or if future borrowings are not available to us under our variable funding notes in amounts sufficient to fund our other liquidity needs, our financial condition and results of operations may be adversely affected. If we cannot generate sufficient cash flow from operations to make scheduled principal amortization and interest payments on our debt obligations in the future, we may need to refinance all or a portion of our indebtedness on or before maturity, sell assets, delay capital expenditures or seek additional equity. If we are unable to refinance any of our indebtedness on commercially reasonable terms or at all or to effect any other action relating to our indebtedness on satisfactory terms or at all, our business may be harmed.

The terms of our securitized debt financing of certain of our wholly-owned subsidiaries have restrictive terms and our failure to comply with any of these terms could put us in default, which would have an adverse effect on our business and prospects.

Unless and until we repay all outstanding borrowings under our securitized debt, we will remain subject to the restrictive terms of these borrowings. The securitized debt, under which certain of our wholly-owned subsidiaries issued and guaranteed fixed rate notes and variable funding senior revolving notes, contain a number of covenants,

with the most significant financial covenant being a debt service coverage calculation. These covenants limit the ability of certain of our subsidiaries to, among other things:

sell assets;

alter the business we conduct;

engage in mergers, acquisitions and other business combinations;

declare dividends or redeem or repurchase capital stock;

incur, assume or permit to exist additional indebtedness or guarantees;

make loans and investments;

incur liens; and

enter into transactions with affiliates.

The securitized debt also requires us to maintain specified financial ratios at the end of each fiscal quarter. These restrictions could affect our ability to pay dividends or repurchase shares of our common stock. Our ability to meet these financial ratios can be affected by events beyond our control, and we may not satisfy such a test. A breach of this covenant could result in a rapid amortization event or default under the securitized debt. If amounts owed under the securitized debt are accelerated because of a default under the securitized debt and we are unable to pay such amounts, the investors may have the right to assume control of substantially all of the securitized assets.

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During the term following issuance, the outstanding senior notes will accrue interest at fixed rates. Additionally, our senior notes have original scheduled principal payments of \$59.0 million in 2016, \$38.6 million in each of 2017 and 2018, \$878.5 million in 2019, \$488.0 million in 2020, \$8.0 million in each of 2021 through 2024 and \$728.0 million in 2025. In accordance with our debt agreements, the payment of principal on the outstanding senior notes (i) shall be suspended if the leverage ratios for the Company are less than or equal to 4.5x total debt to EBITDA and there are no scheduled principal catch-up amounts outstanding; provided, that during any such suspension, principal payments will continue to accrue and are subject to catch-up upon failure to satisfy the leverage ratios, or (ii) on and after the payment in full of the 2012 fixed rate senior secured notes, may be suspended if the leverage ratios for the Company are less than or equal to 5.0x total debt to EBITDA and no catch up provisions are applicable.

If we are unable to refinance or repay amounts under the securitized debt prior to the expiration of the term, our cash flow would be directed to the repayment of the securitized debt and, other than a weekly management fee sufficient to cover minimal selling, general and administrative expenses, would not be available for operating our business.

No assurance can be given that any refinancing or additional financing will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our access to capital is affected by prevailing conditions in the financial and capital markets and other factors beyond our control. There can be no assurance that market conditions will be favorable at the times that we require new or additional financing.

The indenture governing the securitized debt will restrict the cash flow from the entities subject to the securitization to any of our other entities and upon the occurrence of certain events, cash flow would be further restricted.

In the event that a rapid amortization event occurs under the indenture (including, without limitation, upon an event of default under the indenture or the failure to repay the securitized debt at the end of its term), the funds available to us would be reduced or eliminated, which would in turn reduce our ability to operate or grow our business.

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Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We lease approximately 228,000 square feet for our World Resource Center located in Ann Arbor, Michigan under an operating lease with Domino's Farms Office Park, L.L.C., an unrelated company. The lease, as amended, expires in December 2022 and has two five-year renewal options.

We own one domestic Company-owned store building and five supply chain center buildings. We also own two store buildings that we lease to domestic franchisees. All other domestic Company-owned stores are leased by us, typically under five-year leases with one or two five-year renewal options. All other domestic and international supply chain centers are leased by us, typically under leases ranging between five and 15 years with one or two five-year renewal options. All other franchise stores are leased or owned directly by the respective franchisees. We believe that our existing headquarters and other leased and owned facilities are adequate to meet our current requirements.

Item 3. 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.

Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. Included in the ordinary course litigation matters referenced above, we are party to two employment practice cases and two casualty cases. We have established legal and insurance accruals for losses relating to these cases which we believe are reasonable based upon our assessment of the current facts and circumstances. However, it is reasonably possible that our ultimate losses could exceed the amounts recorded by \$2.0 million. The remaining cases referenced above could be decided unfavorably to us and could require us to pay damages or make other expenditures in amounts or a range of amounts that cannot be estimated with accuracy. In management's opinion, these matters, individually and in the aggregate, should not have a significant adverse effect on the financial condition of the Company, and the established accruals adequately provide for the estimated resolution of such claims.

On September 11, 2012, Domino's Pizza LLC was named as a defendant in a lawsuit along with MAC Pizza Management, Inc., a large franchisee, and Joshua Balka, the franchisee's delivery driver, filed by Raghurami Reddy, the plaintiff. The case involved a traffic accident in which the franchisee's delivery driver collided with another vehicle, where the driver of the other vehicle sustained head injuries and the passenger of the other vehicle sustained fatal injuries. The jury delivered a \$32.0 million judgment for the plaintiff where the Company was found to be 60% liable. The Company denied liability and filed an appeal of the verdict on a variety of grounds. In the first quarter of 2015, the appellate court reversed the trial court's decision and dismissed the claims against the Company. The plaintiff has filed a writ of review with the Supreme Court of the State of Texas. The Company filed opposition to the writ of review and the matter is currently pending before the Supreme Court of the State of Texas. The Company continues to deny liability in this matter and assert that the claims were appropriately dismissed by the Court of Appeals of the State of Texas.

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

Item 4. Mine Safety Disclosures.

Not applicable.

Item 4A. Executive Officers of the Registrant.

The listing of executive officers of the Company is set forth under Part III Item 10. Directors, Executive Officers and Corporate Governance on pages 73 and 74, which is incorporated herein by reference.

Table of Contents**Part II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

As of February 18, 2016, Domino's Pizza, Inc. had 170,000,000 authorized shares of common stock, par value \$0.01 per share, of which 49,854,019 were issued and outstanding. Domino's Pizza, Inc.'s common stock is traded on the New York Stock Exchange (NYSE) under the ticker symbol DPZ.

The following table presents the high and low closing prices by quarter for Domino's Pizza, Inc.'s common stock, as reported by the NYSE, and dividends declared per common share.

	High	Low	Dividends Declared Per Share
2014:			
First quarter (December 30, 2013 – March 23, 2014)	\$ 80.02	\$ 67.17	\$ 0.25
Second quarter (March 24, 2014 – June 15, 2014)	78.62	71.13	0.25
Third quarter (June 16, 2014 – September 7, 2014)	76.43	70.17	0.25
Fourth quarter (September 8, 2014 – December 28, 2014)	95.93	75.54	0.25
2015:			
First quarter (December 29, 2014 – March 22, 2015)	\$ 104.63	\$ 94.17	\$ 0.31
Second quarter (March 23, 2015 – June 14, 2015)	113.96	98.36	0.31
Third quarter (June 15, 2015 – September 6, 2015)	119.43	101.78	0.31
Fourth quarter (September 7, 2015 – January 3, 2016)	112.95	101.62	0.31

Our Board of Directors declared a quarterly dividend of \$0.38 per common share on February 24, 2016 payable on March 30, 2016 to shareholders of record at the close of business on March 15, 2016.

We currently anticipate continuing the payment of quarterly cash dividends. The actual amount of such dividends, if any, will depend upon future earnings, results of operations, capital requirements, our financial condition and certain other factors. There can be no assurance as to the amount of free cash flow that we will generate in future years and, accordingly, dividends will be considered after reviewing returns to shareholders, profitability expectations and financing needs and will be declared at the discretion of our Board of Directors.

As of February 18, 2016, there were 1,162 registered holders of record of Domino's Pizza, Inc.'s common stock.

We have a Board of Directors-approved share repurchase program for up to \$800.0 million of our common stock, of which \$200.0 million remained available at January 3, 2016 for future purchases of our common stock. Any future purchases of our common stock would be funded by current cash amounts, available borrowings or future excess cash flow. The following table summarizes our repurchase activity during the fourth quarter ended January 3, 2016:

Period

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (2)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
Period #1 (September 7, 2015 to October 4, 2015)				\$ 159,367,567
Period #2 (October 5, 2015 to November 1, 2015)	4,860,514(2)	105.53(3)	4,858,994(2)	200,000,000
Period #3 (November 2, 2015 to November 29, 2015)	2,108	108.97		200,000,000
Period #4 (November 30, 2015 to January 3, 2016)	1,348	109.06		200,000,000
Total	4,863,970	\$ 107.94	4,858,994	\$ 200,000,000

- (1) 4,976 shares were purchased as part of the Company's employee stock purchase discount plan. During the fourth quarter, the shares were purchased at an average price of \$107.94.

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- (2) As part of the 2015 Recapitalization, on October 23, 2015, the Company's Board of Directors authorized a new share repurchase program to repurchase up to \$800 million of the Company's common stock. This share repurchase program replaced a previously existing \$200 million share repurchase program. On October 27, 2015, the Company entered into a \$600 million accelerated share repurchase agreement (the "ASR Agreement") with a counterparty. Pursuant to the terms of the ASR Agreement, on October 30, 2015, the Company received and retired 4,858,994 shares of its common stock. At final settlement, which is expected to be completed by the end of the first quarter of 2016, the Company may receive additional shares of common stock, or, under certain circumstances, the Company may be required to deliver shares of its common stock or may elect to make a cash payment to the counterparty, based on the terms of the related ASR Agreement. The total number of shares ultimately delivered will be determined at the end of the applicable purchase period.
- (3) The average price paid per share of \$105.53 for Period #2 (October 5, 2015 to November 1, 2015) excludes the average price paid per share for shares purchased under the ASR Agreement. Because the total number of shares ultimately delivered will not be determined until the end of the applicable purchase period, the average purchase price per share will not be determinable until the end of such period.

The following comparative stock performance line graph compares the cumulative shareholder return on the common stock of Domino's Pizza, Inc. for the five-year period between the close of trading on December 31, 2010 through the close of trading on December 31, 2015 (the last trading day during fiscal 2015), with cumulative total return on (i) the Total Return Index for the New York Stock Exchange (the "NYSE Composite Index"), (ii) the Standard & Poor's 500 Index (the "S&P 500") and (iii) the peer group, the Standard & Poor's 400 Restaurant Index (the "S&P 400 Restaurant Index"). Management believes that the companies included in the S&P 400 Restaurant Index appropriately reflect the scope of the Company's operations and match the competitive market in which the Company operates. The cumulative total return computations set forth in the performance graph assume the investment of \$100 in the Company's common stock, the NYSE Composite Index, the S&P 500 Index and the S&P 400 Restaurant Index on December 31, 2010.

Table of Contents**Item 6. Selected Financial Data.**

The following selected financial data set forth should be read in conjunction with, and is qualified by reference to, Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included in this Form 10-K. The selected financial data, with the exception of store counts and same store sales growth, has been derived from the audited consolidated financial statements of Domino's Pizza, Inc. and subsidiaries. This historical data is not necessarily indicative of results to be expected for any future period.

(dollars in millions, except per share data)	Fiscal year ended (6)				
	January 3, 2016 (4)	December 28, 2014	December 29, 2013	December 30, 2012 (5)	January 1, 2012
Income statement data:					
Revenues:					
Domestic Company-owned stores	\$ 396.9	\$ 348.5	\$ 337.4	\$ 323.7	\$ 336.3
Domestic franchise	272.8	230.2	212.4	195.0	187.0
Domestic stores	669.7	578.7	549.8	518.7	523.4
Supply chain	1,383.2	1,262.5	1,118.9	1,039.8	1,021.0
International franchise	163.6	152.6	133.6	120.0	107.8
Total revenues	2,216.5	1,993.8	1,802.2	1,678.4	1,652.2
Cost of sales	1,533.4	1,399.1	1,253.2	1,177.1	1,181.7
Operating margin	683.1	594.8	549.0	501.3	470.5
General and administrative expense	277.7	249.4	235.2	219.0	211.4
Income from operations	405.4	345.4	313.8	282.3	259.1
Interest income	0.3	0.1	0.2	0.3	0.3
Interest expense	(99.5)	(86.9)	(88.9)	(101.4)	(91.6)
Income before provision for income taxes	306.2	258.6	225.1	181.2	167.8
Provision for income taxes	113.4	96.0	82.1	68.8	62.4
Net income	\$ 192.8	\$ 162.6	\$ 143.0	\$ 112.4	\$ 105.4
Earnings per share:					
Common stock - basic	\$ 3.58	\$ 2.96	\$ 2.58	\$ 1.99	\$ 1.79
Common stock - diluted	3.47	2.86	2.48	1.91	1.71
Dividends declared per share	\$ 1.24	\$ 1.00	\$ 0.80	\$ 3.00	\$
Balance sheet data (at end of period):					
Cash and cash equivalents	\$ 133.4	\$ 30.9	\$ 14.4	\$ 54.8	\$ 50.3
Restricted cash and cash equivalents	180.9	121.0	125.5	60.0	92.6
Working capital (1)	45.7	41.8	(28.5)	16.8	37.1
Total assets (2)	799.8	596.3	496.6	443.4	464.4

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Total debt less net debt issuance cost (2)	2,240.8	1,500.6	1,507.7	1,526.0	1,435.2
Total stockholders deficit	(1,800.3)	(1,219.5)	(1,290.2)	(1,335.5)	(1,209.7)

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(dollars in millions)	Fiscal year ended (6)				
	January 3, 2016(4)	December 28, 2014	December 29, 2013	December 30, 2012 (5)	January 1, 2012
Other financial data:					
Depreciation and amortization	\$ 32.4	\$ 35.8	\$ 25.8	\$ 23.2	\$ 24.0
Capital expenditures	62.4	71.8	40.4	29.3	24.3
Same store sales growth (3):					
Domestic Company-owned stores	12.2%	6.2%	3.9%	1.3%	4.1%
Domestic franchise stores	11.9%	7.7%	5.5%	3.2%	3.4%
Domestic stores	12.0%	7.5%	5.4%	3.1%	3.5%
International stores	7.8%	6.9%	6.2%	5.2%	6.8%
Store counts (at end of period):					
Domestic Company-owned stores	384	377	390	388	394
Domestic franchise stores	4,816	4,690	4,596	4,540	4,513
Domestic stores	5,200	5,067	4,986	4,928	4,907
International stores	7,330	6,562	5,900	5,327	4,835
Total stores	12,530	11,629	10,886	10,255	9,742

- (1) The working capital amounts exclude restricted cash amounts of \$180.9 million in 2015, \$121.0 million in 2014, \$125.5 million in 2013, \$60.0 million in 2012 and \$92.6 million in 2011.
- (2) In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, (ASU 2015-03). ASU 2015-03 requires that debt issuance costs be presented as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as deferred charge assets, separate from the related debt liability. Further discussion on the impact of ASU 2015-03 is included below within the *New Accounting Pronouncement* section. The Company early-adopted ASU 2015-03 as of the end of its fiscal 2015, and applied its provisions retrospectively. The adoption of ASU 2015-03 resulted in the reclassification of \$27.9 million and \$22.9 million of unamortized debt issuance costs related to the Company's fixed rate notes from other non-current assets to long-term debt within its consolidated balance sheets as of both January 3, 2016 and December 28, 2014, respectively (refer to Note 4 of the financial statements for additional detail). Total assets for the years ended December 29, 2013, December 30, 2012, and January 1, 2012 were also reduced by unamortized debt issuance costs of \$28.7 million, \$34.8 million and \$16.1 million, respectively, as a result of the adoption of this standard for a consistent presentation.
- (3) Same store sales growth is calculated including only sales from stores that also had sales in the comparable period of the prior year, but excluding sales from certain seasonal locations such as stadiums and concert arenas. International same store sales growth is calculated similarly to domestic same store sales growth. Changes in international same store sales are reported on a constant dollar basis which reflects changes in international local currency sales. The 53rd week in fiscal 2015 had no impact on reported same store sales growth amounts.
- (4) In connection with our 2015 Recapitalization, the Company issued \$1.3 billion of fixed rate notes. A portion of the proceeds from the 2015 Recapitalization were used to make an optional prepayment of approximately \$551 million in aggregate principal amount of the 2012 fixed rate notes, at par, pay scheduled principal catch-up

amounts on the 2012 fixed rate notes, make an interest reserve deposit, pre-fund a portion of the principal and interest payable on the 2015 fixed rate notes and pay transaction fees and expenses. Additionally, as part of the 2015 Recapitalization, the Company's Board of Directors authorized a new share repurchase program to repurchase up to \$800 million of the Company's common stock. This share repurchase program replaced a previously existing \$200 million share repurchase program. Refer to Note 4 of the financial statements for additional detail related to the 2015 Recapitalization.

- (5) In connection with our 2012 Recapitalization, the Company borrowed \$1.575 billion of fixed rate notes and used a portion of the proceeds from the borrowings to repay in full the outstanding principal under the Company's existing notes, pay accrued interest on the Company's existing notes, pay transaction-related fees and expenses and fund a reserve account for the payment of interest on the 2012 fixed rate notes. Refer to Note 4 of the financial statements for additional detail related to the 2012 Recapitalization.
- (6) The 2015 fiscal year includes 53 weeks and the 2011, 2012, 2013 and 2014 fiscal years each include 52 weeks.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Our fiscal year typically includes 52 weeks, comprised of three twelve-week quarters and one sixteen-week quarter. Every five or six years our fiscal year includes an extra (or 53rd) week in the fourth quarter. Fiscal 2015 consisted of 53 weeks, while fiscal 2014 and fiscal 2013 each consisted of 52 weeks.

Description of the Business

Domino's is the second largest pizza restaurant chain in the world, with more than 12,500 locations in over 80 markets around the world. Founded in 1960, our roots are in convenient pizza delivery, while a significant amount of our sales also come from carryout customers. Although we are a highly-recognized global brand, we focus on serving the local neighborhoods in which we live and do business through our large network of franchise owners and Company-owned stores. On average, we sell more than 1.5 million pizzas each day throughout our global system.

Our business model is straightforward: we handcraft and serve quality food at a competitive price, with easy ordering access and efficient service, enhanced by our technology innovations. Our dough is generally made fresh and distributed to stores around the world by us and our franchisees.

Domino's generates revenues and earnings by charging royalties to its franchisees. Royalties are ongoing percent-of-sales fees for use of the Domino's brand marks. 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 may 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 business model can yield strong returns for our franchise owners and Company-owned stores. It can also yield significant cash flow to us, through a consistent franchise royalty payment and supply chain revenue stream, with moderate capital expenditures. We have historically returned cash to shareholders through dividend payments and share buybacks since becoming a publicly-traded company.

Fiscal 2015 Highlights

Global retail sales (which are total retail sales at Company-owned and franchised stores worldwide) increased 11.1% as compared to 2014.

Same store sales increased 12.0% in our domestic stores and, when excluding the impact of foreign currency exchange rates, increased 7.8% in our international stores.