

DOMINOS PIZZA INC
Form 10-Q
April 30, 2009
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SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 22, 2009

OR

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

For the transition period from: to

Commission file number 001-32242

Domino s Pizza, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

38-2511577
(I.R.S. Employer

Identification Number)

30 Frank Lloyd Wright Drive

Ann Arbor, Michigan 48106

(Address of principal executive offices)

(734) 930-3030

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of April 23, 2009, Domino's Pizza, Inc. had 57,365,416 shares of common stock, par value \$0.01 per share, outstanding.

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Domino s Pizza, Inc.

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

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

(In thousands)	March 22, 2009	December 28, 2008 (Note)
Assets		
Current assets:		
Cash and cash equivalents	\$ 67,851	\$ 45,372
Restricted cash and cash equivalents	65,860	78,871
Accounts receivable	66,461	69,390
Inventories	28,937	24,342
Notes receivable	615	630
Prepaid expenses and other	5,742	6,236
Advertising fund assets, restricted	32,468	20,377
Deferred income taxes	9,219	9,033
Total current assets	277,153	254,251
Property, plant and equipment:		
Land and buildings	22,063	22,063
Leasehold and other improvements	83,483	83,362
Equipment	168,853	167,470
Construction in progress	2,115	1,881
	276,514	274,776
Accumulated depreciation and amortization	(170,913)	(166,346)
Property, plant and equipment, net	105,601	108,430
Other assets:		
Deferred financing costs	22,192	24,457
Goodwill	17,675	17,675
Capitalized software, net	3,481	3,672
Other assets	12,187	12,260
Deferred income taxes	35,140	43,049
Total other assets	90,675	101,113
Total assets	\$ 473,429	\$ 463,794
Liabilities and stockholders' deficit		
Current liabilities:		
Current portion of long-term debt	\$ 25,347	\$ 340

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Accounts payable	46,580	56,906
Accrued income taxes	972	1,167
Insurance reserves	10,044	10,056
Advertising fund liabilities	32,468	20,377
Other accrued liabilities	62,183	60,708
Total current liabilities	177,594	149,554
Long-term liabilities:		
Long-term debt, less current portion	1,657,450	1,704,444
Insurance reserves	20,290	20,369
Other accrued liabilities	14,799	14,050
Total long-term liabilities	1,692,539	1,738,863
Stockholders' deficit:		
Common stock	573	570
Additional paid-in capital	5,742	1,853
Retained deficit	(1,397,935)	(1,421,705)
Accumulated other comprehensive loss	(5,084)	(5,341)
Total stockholders' deficit	(1,396,704)	(1,424,623)
Total liabilities and stockholders' deficit	\$ 473,429	\$ 463,794

Note: The balance sheet at December 28, 2008 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See accompanying notes.

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

(In thousands, except per share data)	Fiscal Quarter Ended	
	March 22, 2009	March 23, 2008
Revenues:		
Domestic Company-owned stores	\$ 80,996	\$ 93,047
Domestic franchise	36,883	36,386
Domestic supply chain	173,502	176,189
International	30,447	33,390
Total revenues	321,828	339,012
Cost of sales:		
Domestic Company-owned stores	64,712	75,511
Domestic supply chain	154,982	160,626
International	13,317	14,840
Total cost of sales	233,011	250,977
Operating margin	88,817	88,035
General and administrative	43,899	38,685
Income from operations	44,918	49,350
Interest income	467	890
Interest expense	(26,968)	(26,708)
Other	21,174	
Income before provision for income taxes	39,591	23,532
Provision for income taxes	15,821	9,413
Net income	\$ 23,770	\$ 14,119
Earnings per share:		
Common stock basic	\$ 0.42	\$ 0.24
Common stock diluted	0.41	0.23

See accompanying notes.

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

	Fiscal Quarter Ended	
	March 22, 2009	March 23, 2008
(In thousands)		
Cash flows from operating activities:		
Net income	\$ 23,770	\$ 14,119
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,787	7,071
Gains on debt extinguishment	(21,174)	
(Gains) losses on sale/disposal of assets	81	(4,169)
Amortization of deferred financing costs, debt discount and other	2,784	2,255
Provision for deferred income taxes	7,568	1,777
Non-cash compensation expense	2,645	2,065
Other	390	199
Changes in operating assets and liabilities	(9,580)	(3,045)
Net cash provided by operating activities	12,271	20,272
Cash flows from investing activities:		
Capital expenditures	(3,278)	(3,479)
Proceeds from sale of assets	271	8,220
Changes in restricted cash	13,011	(1,803)
Other	(199)	520
Net cash provided by investing activities	9,805	3,458
Cash flows from financing activities:		
Proceeds from issuance of common stock	1,047	1,205
Purchase of common stock		(18,427)
Proceeds from issuance of long-term debt	24,348	3,000
Repayments of long-term debt and capital lease obligation	(25,164)	(18,075)
Proceeds from exercise of stock options	76	413
Tax benefit from stock options	169	97
Net cash provided by (used in) financing activities	476	(31,787)
Effect of exchange rate changes on cash and cash equivalents	(73)	38
Change in cash and cash equivalents	22,479	(8,019)
Cash and cash equivalents, at beginning of period	45,372	11,344
Cash and cash equivalents, at end of period	\$ 67,851	\$ 3,325

See accompanying notes.

Table of Contents**Domino s Pizza, Inc. and Subsidiaries****Notes to Condensed Consolidated Financial Statements****(Unaudited; tabular amounts in thousands, except percentages, share and per share amounts)****March 22, 2009****1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. For further information, refer to the consolidated financial statements and footnotes for the fiscal year ended December 28, 2008 included in our annual report on Form 10-K.

In the opinion of management, all adjustments, consisting of normal recurring items, considered necessary for a fair presentation have been included. Operating results for the fiscal quarter ended March 22, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending January 3, 2010.

2. Comprehensive Income

	Fiscal Quarter Ended	
	March 22, 2009	March 23, 2008
Net income	\$ 23,770	\$ 14,119
Reclassification adjustment for losses included in net income, net of tax	320	303
Currency translation adjustment, net of tax	(63)	(188)
Comprehensive income	\$ 24,027	\$ 14,234

3. Segment Information

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

Fiscal Quarters Ended March 22, 2009 and March 23, 2008			
Domestic Stores	Domestic Supply Chain	International	Intersegment Revenues