UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 6, 2020

OR

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

For the transition period from __________to __________

Commission file number: 001-32242

Domino's Pizza, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**38-2511577** (I.R.S. Employer Identification No.)
30 Frank Lloyd Wright Drive **Ann Arbor, Michigan** (Address of Principal Executive Offices)	**48105** (Zip Code)

(734) 930-3030
(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Domino's Pizza, Inc. Common Stock, $0.01 par value	**DPZ**	**New York Stock Exchange**

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of October 1, 2020, Domino’s Pizza, Inc. had 39,399,906 shares of common stock, par value $0.01 per share, outstanding.

Domino's Pizza, Inc.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

(In thousands)	September 6, 2020	December 29, 2019 (1)
Assets		
Current assets:		
Cash and cash equivalents	$ 330,719	$ 190,615
Restricted cash and cash equivalents	160,330	209,269
Accounts receivable, net	229,403	210,260
Inventories	65,499	52,955
Prepaid expenses and other	26,288	19,129
Advertising fund assets, restricted	144,282	105,389
Total current assets	956,521	787,617
Property, plant and equipment:		
Land and buildings	65,581	44,845
Leasehold and other improvements	181,556	164,071
Equipment	274,337	243,708
Construction in progress	14,784	42,705
	536,258	495,329
Accumulated depreciation and amortization	(273,994)	(252,448)
Property, plant and equipment, net	262,264	242,881
Other assets:		
Operating lease right-of-use assets	229,653	228,785
Goodwill	15,061	15,093
Capitalized software, net	78,632	73,140
Other assets	72,787	24,503
Deferred income taxes	6,030	10,073
Total other assets	402,163	351,594
Total assets	$ 1,620,948	$ 1,382,092
Liabilities and stockholders' deficit		
Current liabilities:		
Current portion of long-term debt	$ 43,662	$ 43,394
Accounts payable	88,188	111,101
Operating lease liabilities	36,508	33,318
Insurance reserves	23,816	23,735
Dividends payable	31,258	471
Advertising fund liabilities	138,348	101,921
Other accrued liabilities	126,745	139,891
Total current liabilities	488,525	453,831
Long-term liabilities:		
Long-term debt, less current portion	4,062,175	4,071,055
Operating lease liabilities	201,981	202,731
Insurance reserves	37,428	34,675
Other accrued liabilities	42,370	35,559
Total long-term liabilities	4,343,954	4,344,020
Stockholders' deficit:		
Common stock	394	389
Additional paid-in capital	34,124	243
Retained deficit	(3,242,627)	(3,412,649)
Accumulated other comprehensive loss	(3,422)	(3,742)
Total stockholders' deficit	(3,211,531)	(3,415,759)
Total liabilities and stockholders' deficit	$ 1,620,948	$ 1,382,092

(1) The balance sheet at December 29, 2019 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.

The accompanying notes are an integral part of these condensed consolidated statements.

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

(In thousands, except per share data)	Fiscal Quarter Ended September 6, 2020	Fiscal Quarter Ended September 8, 2019	Three Fiscal Quarters Ended September 6, 2020	Three Fiscal Quarters Ended September 8, 2019
Revenues:				
U.S. Company-owned stores	$ 113,254	$ 94,575	$ 329,820	$ 323,026
U.S. franchise royalties and fees	118,054	97,047	335,898	289,349
Supply chain	573,661	485,110	1,625,502	1,424,787
International franchise royalties and fees	54,602	54,586	160,202	164,145
U.S. franchise advertising	108,148	89,494	309,422	267,115
Total revenues	967,719	820,812	2,760,844	2,468,422
Cost of sales:				
U.S. Company-owned stores	90,788	71,610	258,007	247,516
Supply chain	514,950	432,951	1,443,608	1,265,695
Total cost of sales	605,738	504,561	1,701,615	1,513,211
Operating margin	361,981	316,251	1,059,229	955,211
General and administrative	91,652	83,728	268,209	262,640
U.S. franchise advertising	108,148	89,494	309,422	267,115
Income from operations	162,181	143,029	481,598	425,456
Interest income	197	968	1,769	2,583
Interest expense	(38,605)	(33,752)	(117,802)	(102,672)
Income before provision for income taxes	123,773	110,245	365,565	325,367
Provision for income taxes	24,644	23,872	26,166	53,985
Net income	$ 99,129	$ 86,373	$ 339,399	$ 271,382
Earnings per share:				
Common stock - basic	$ 2.53	$ 2.11	$ 8.70	$ 6.63
Common stock - diluted	2.49	2.05	8.54	6.44

The accompanying notes are an integral part of these condensed consolidated statements.

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

(In thousands)	Fiscal Quarter Ended September 6, 2020	Fiscal Quarter Ended September 8, 2019	Three Fiscal Quarters Ended September 6, 2020	Three Fiscal Quarters Ended September 8, 2019
Net income	$ 99,129	$ 86,373	$ 339,399	$ 271,382
Currency translation adjustment	1,113	270	320	491
Comprehensive income	$ 100,242	$ 86,643	$ 339,719	$ 271,873

The accompanying notes are an integral part of these condensed consolidated statements.

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

(In thousands)	Three Fiscal Quarters Ended September 6, 2020	Three Fiscal Quarters Ended September 8, 2019
Cash flows from operating activities:		
Net income	$ 339,399	$ 271,382
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	44,116	40,982
Loss on sale/disposal of assets	1,530	3,141
Amortization of debt issuance costs	3,853	3,288
Provision for deferred income taxes	3,681	1,627
Non-cash equity-based compensation expense	14,934	13,269
Excess tax benefits from equity-based compensation	(56,862)	(19,670)
Provision for losses on accounts and notes receivable	1,536	774
Changes in operating assets and liabilities	(14,146)	16,214
Changes in advertising fund assets and liabilities, restricted	32,358	(6,411)
Net cash provided by operating activities	370,399	324,596
Cash flows from investing activities:		
Capital expenditures	(51,163)	(42,676)
Purchase of investments (Note 9)	(40,000)	–
Proceeds from sale of assets	11	9,738
Maturities of advertising fund investments, restricted	–	30,152
Other	83	(351)
Net cash used in investing activities	(91,069)	(3,137)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	158,000	–
Repayments of long-term debt and finance lease obligations	(190,843)	(91,860)
Proceeds from exercise of stock options	26,526	10,122
Purchases of common stock	(79,590)	(105,149)
Tax payments for restricted stock upon vesting	(6,584)	(5,820)
Payments of common stock dividends and equivalents	(61,093)	(53,598)
Net cash used in financing activities	(153,584)	(246,305)
Effect of exchange rate changes on cash	243	139
Change in cash and cash equivalents, restricted cash and cash equivalents	125,989	75,293
Cash and cash equivalents, beginning of period	190,615	25,438
Restricted cash and cash equivalents, beginning of period	209,269	166,993
Cash and cash equivalents included in advertising fund assets, restricted, beginning of period	84,040	44,988
Cash and cash equivalents, restricted cash and cash equivalents and cash and cash equivalents included in advertising fund assets, restricted, beginning of period	483,924	237,419
Cash and cash equivalents, end of period	330,719	66,706
Restricted cash and cash equivalents, end of period	160,330	177,292
Cash and cash equivalents included in advertising fund assets, restricted, end of period	118,864	68,714
Cash and cash equivalents, restricted cash and cash equivalents and cash and cash equivalents included in advertising fund assets, restricted, end of period	$ 609,913	$ 312,712

The accompanying notes are an integral part of these condensed consolidated statements.

Domino's Pizza, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited; tabular amounts in thousands, except percentages, share and per share amounts)

September 6, 2020

1. Basis of Presentation and Updates to Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. For further information, refer to the consolidated financial statements and footnotes for the fiscal year ended December 29, 2019 included in the Company's 2019 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 20, 2020 (the "2019 Form 10-K").

In the opinion of management, all adjustments, consisting of normal recurring items, considered necessary for a fair statement have been included. Operating results for the fiscal quarter ended September 6, 2020 are not necessarily indicative of the results that may be expected for the fiscal year ending January 3, 2021.

Updates to Significant Accounting Policies

The Company adopted Accounting Standards Codification 326, *Financial Instruments – Credit Losses* ("ASC 326") in the first quarter of 2020. As a result, the Company updated its significant accounting policies for the measurement of credit losses below. Refer to Note 10 for information related to the impact of the adoption of ASC 326 on the Company's condensed consolidated financial statements.

Allowances for Credit Losses

The Company closely monitors accounts and notes receivable balances and estimates the allowance for credit losses. These estimates are based on historical collection experience and other factors, including those related to current market conditions and events. The Company's allowances for accounts and notes receivable have not historically been material.

The Company also monitors its off-balance sheet exposures under its letters of credit, surety bonds and lease guarantees. None of these arrangements has had or is likely to have a material effect on the Company's results of operations, financial condition, revenues, expenses or liquidity.

During the second quarter of 2020, a subsidiary of the Company acquired a non-controlling interest in Dash Brands Ltd., a privately-held business company limited by shares incorporated with limited liability under the laws of the British Virgin Islands ("Dash Brands"), for $40.0 million. Through its subsidiaries, Dash Brands serves as the Company's master franchisee in China that owns and operates Domino's Pizza stores in that market. As a result of the investment, the Company's significant accounting policy related to equity investments without readily determinable fair values is stated below. Refer to Note 9 for information related to this investment and its impact on the Company's condensed consolidated financial statements.

Equity investments without readily determinable fair values

Equity investments without readily determinable fair values are recorded at cost with adjustments for observable changes in prices resulting from orderly transactions for the identical or a similar investment of the same issuer or impairments and are classified as long-term other assets in the Company's condensed consolidated balance sheet. Any adjustments to the carrying amount are recognized in other income (expense), net in the Company's condensed consolidated statement of income.

The Company evaluates the potential impairment of its investments based on various analyses including financial results and operating trends, implied values from recent similar transactions and other relevant available information. If the carrying amount of the investment exceeds the estimated fair value of the investment, an impairment loss is recognized, and the investment is written down to its estimated fair value.

2. Segment Information

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

	Fiscal Quarters Ended September 6, 2020 and September 8, 2019					
	U.S. Stores	Supply Chain	International Franchise	Intersegment Revenues	Other	Total
Revenues						
2020	$339,456	$605,481	$ 54,602	$ (31,820)	$ —	$967,719
2019	281,116	511,709	54,586	(26,599)	—	820,812
Income from operations						
2020	$ 98,743	$ 46,356	$ 44,420	N/A	$(27,338)	$162,181
2019	80,188	40,513	42,281	N/A	(19,953)	143,029
Segment Income						
2020	$101,513	$ 51,114	$ 44,461	N/A	$(13,689)	$183,399
2019	82,556	44,432	42,337	N/A	(8,172)	161,153

	Three Fiscal Quarters Ended September 6, 2020 and September 8, 2019					
	U.S. Stores	Supply Chain	International Franchise	Intersegment Revenues	Other	Total
Revenues						
2020	$975,140	$1,717,225	$ 160,202	$ (91,723)	$ —	$2,760,844
2019	879,490	1,513,380	164,145	(88,593)	—	2,468,422
Income from operations						
2020	$284,324	$ 146,193	$ 124,252	N/A	$(73,171)	$ 481,598
2019	237,852	123,840	126,467	N/A	(62,703)	425,456
Segment Income						
2020	$292,724	$ 159,455	$ 124,375	N/A	$(34,376)	$ 542,178
2019	248,160	135,861	126,628	N/A	(27,801)	482,848

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

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 6, 2020	September 8, 2019	September 6, 2020	September 8, 2019
Total Segment Income	$ 183,399	$ 161,153	$ 542,178	$ 482,848
Depreciation and amortization	(15,327)	(13,132)	(44,116)	(40,982)
Loss on sale/disposal of assets	(986)	(312)	(1,530)	(3,141)
Non-cash equity-based compensation expense	(4,905)	(4,680)	(14,934)	(13,269)
Income from operations	162,181	143,029	481,598	425,456
Interest income	197	968	1,769	2,583
Interest expense	(38,605)	(33,752)	(117,802)	(102,672)
Income before provision for income taxes	$ 123,773	$ 110,245	$ 365,565	$ 325,367

3. Earnings Per Share

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 6, 2020	September 8, 2019	September 6, 2020	September 8, 2019
Net income available to common stockholders - basic and diluted	$ 99,129	$ 86,373	$ 339,399	$ 271,382
Basic weighted average number of shares	39,246,231	40,954,279	38,990,149	40,947,693
Earnings per share – basic	$ 2.53	$ 2.11	$ 8.70	$ 6.63
Diluted weighted average number of shares	39,791,805	42,040,291	39,724,289	42,158,447
Earnings per share – diluted	$ 2.49	$ 2.05	$ 8.54	$ 6.44

The denominator used in calculating diluted earnings per share for the third quarter and three fiscal quarters of 2020 did not include 52,390 and 53,130 options to purchase common stock, respectively, as the effect of including these options would have been anti-dilutive. The denominators used in calculating diluted earnings per share for the third quarter and three fiscal quarters of 2020 each did not include 118,518 restricted performance shares, as the performance targets for these awards had not yet been met.

The denominators used in calculating diluted earnings per share for the third quarter and three fiscal quarters of 2019 each did not include 161,670 options to purchase common stock, as the effect of including these options would have been anti-dilutive. The denominators used in calculating diluted earnings per share for the third quarter and three fiscal quarters of 2019 each did not include 142,477 restricted performance shares, as the performance targets for these awards had not yet been met.

4. Changes in Stockholders' Deficit

The following table summarizes changes in stockholders' deficit for the third quarter of 2020.

	Common Stock		Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss
	Shares	Amount			
Balance at June 14, 2020	39,347,213	$ 393	$ 32,251	$(3,311,015)	$ (4,535)
Net income	—	—	—	99,129	—
Dividends declared on common stock and equivalents ($0.78 per share)	—	—	—	(30,741)	—
Issuance and cancellation of stock awards, net	32,676	1	—	—	—
Tax payments for restricted stock upon vesting	(12,195)	—	(4,757)	—	—
Exercise of stock options	24,781	—	1,725	—	—
Non-cash equity-based compensation expense	—	—	4,905	—	—
Currency translation adjustment	—	—	—	—	1,113
Balance at September 6, 2020	39,392,475	$ 394	$ 34,124	$(3,242,627)	$ (3,422)

The following table summarizes changes in stockholders' deficit for the three fiscal quarters of 2020.

	Common Stock		Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss
	Shares	Amount			
Balance at December 29, 2019	38,934,009	$ 389	$ 243	$(3,412,649)	$ (3,742)
Net income	—	—	—	339,399	—
Dividends declared on common stock and equivalents ($2.34 per share)	—	—	—	(91,880)	—
Issuance and cancellation of stock awards, net	38,389	1	—	—	—
Tax payments for restricted stock upon vesting	(18,215)	—	(6,584)	—	—
Purchases of common stock	(271,064)	(3)	(988)	(78,599)	—
Exercise of stock options	709,356	7	26,519	—	—
Non-cash equity-based compensation expense	—	—	14,934	—	—
Adoption of ASC 326 (Note 10)	—	—	—	1,102	—
Currency translation adjustment	—	—	—	—	320
Balance at September 6, 2020	39,392,475	$ 394	$ 34,124	$(3,242,627)	$ (3,422)

Subsequent to the third quarter, on October 6, 2020, the Company's Board of Directors declared a $0.78 per share quarterly dividend on its outstanding common stock for shareholders of record as of December 15, 2020 to be paid on December 30, 2020.

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The following table summarizes changes in stockholders' deficit for the third quarter of 2019.

	Common Stock		Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss
	Shares	Amount			
Balance at June 16, 2019	41,232,358	$ 412	$ 10,788	$(2,911,278)	$ (4,208)
Net income	—	—	—	86,373	—
Dividends declared on common stock and equivalents ($0.65 per share)	—	—	—	(26,569)	—
Issuance and cancellation of stock awards, net	45,479	—	—	—	—
Tax payments for restricted stock upon vesting	(12,603)	—	(3,253)	—	—
Purchases of common stock	(384,338)	(3)	(12,972)	(80,721)	—
Exercise of stock options	18,100	—	832	—	—
Non-cash equity-based compensation expense	—	—	4,680	—	—
Currency translation adjustment	—	—	—	—	270
Balance at September 8, 2019	40,898,996	$ 409	$ 75	$(2,932,195)	$ (3,938)

The following table summarizes changes in stockholders' deficit for the three fiscal quarters of 2019.

	Common Stock		Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss
	Shares	Amount			
Balance at December 30, 2018	40,977,561	$ 410	$ 569	$(3,036,471)	$ (4,429)
Net income	—	—	—	271,382	—
Dividends declared on common stock and equivalents ($1.95 per share)	—	—	—	(80,023)	—
Issuance and cancellation of stock awards, net	50,640	—	—	—	—
Tax payments for restricted stock upon vesting	(22,044)	—	(5,820)	—	—
Purchases of common stock	(430,182)	(4)	(18,062)	(87,083)	—
Exercise of stock options	323,021	3	10,119	—	—
Non-cash equity-based compensation expense	—	—	13,269	—	—
Currency translation adjustment	—	—	—	—	491
Balance at September 8, 2019	40,898,996	$ 409	$ 75	$(2,932,195)	$ (3,938)

5. Fair Value Measurements

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

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

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

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

The fair values of the Company's cash equivalents and investments in marketable securities are based on quoted prices in active markets for identical assets. The fair value of the Company's Level 3 investment (Note 9) is not readily determinable. The fair value represents its cost with adjustments for observable changes in prices resulting from orderly transactions for the identical or a similar investment of the same issuer or impairments. The following tables summarize the carrying amounts and estimated fair values of certain assets at September 6, 2020 and December 29, 2019:

	At September 6, 2020			
		Fair Value Estimated Using		
	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cash equivalents	$276,905	$276,905	$ —	$ —
Restricted cash equivalents	102,763	102,763	—	—
Investments in marketable securities	12,043	12,043	—	—
Advertising fund cash equivalents, restricted	97,190	97,190	—	—
Investments (Note 9)	40,000	—	—	40,000

	At December 29, 2019			
		Fair Value Estimated Using		
	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cash equivalents	$180,459	$180,459	$ —	$ —
Restricted cash equivalents	126,963	126,963	—	—
Investments in marketable securities	11,982	11,982	—	—
Advertising fund cash equivalents, restricted	67,851	67,851	—	—

Company management estimated the approximate fair values of the 2015 fixed rate notes, the 2017 fixed and floating rate notes, the 2018 fixed rate notes and the 2019 fixed rate notes as follows:

	September 6, 2020		December 29, 2019	
	Principal Amount	Fair Value	Principal Amount	Fair Value
2015 Ten-Year Fixed Rate Notes	$ 768,000	$ 821,760	$ 774,000	$ 804,960
2017 Five-Year Fixed Rate Notes	583,500	585,251	588,000	588,588
2017 Ten-Year Fixed Rate Notes	972,500	1,046,410	980,000	1,017,240
2017 Five-Year Floating Rate Notes	291,750	291,458	294,000	294,000
2018 7.5-Year Fixed Rate Notes	416,500	443,156	419,688	431,439
2018 9.25-Year Fixed Rate Notes	392,000	425,320	395,000	414,355
2019 Ten-Year Fixed Rate Notes	669,938	706,114	675,000	675,675

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

The Company's variable funding notes are a variable rate loan and the fair value of this loan approximates book value based on the borrowing rates currently available for variable rate loans obtained from third party lending institutions. This fair value represents a Level 2 measurement. The Company borrowed $158.0 million under its variable funding notes in the second quarter of 2020. The Company repaid $100.0 million of these borrowings in the second quarter of 2020 and approximately $58.0 million in the third quarter of 2020. The Company had less than $0.1 million of outstanding borrowings under its variable funding notes at September 6, 2020. The Company did not have any outstanding borrowings under its variable funding notes as of December 29, 2019.

The fair values in the table above represent the fair value of such notes at September 6, 2020 and December 29, 2019. In light of the COVID-19 pandemic (discussed further in Note 11) and its impact on financial markets, these fair values fluctuated significantly during the three fiscal quarters of 2020 and may continue to fluctuate based on market conditions and other factors.

6. Revenue Disclosures

Contract Liabilities

Contract liabilities primarily consist of deferred franchise fees and deferred development fees. Changes in deferred franchise fees and deferred development fees were as follows:

	Three Fiscal Quarters Ended	
	September 6, 2020	September 8, 2019
Deferred franchise fees and deferred development fees at beginning of period	$ 20,463	$ 19,900
Revenue recognized during the period	(4,302)	(3,923)
New deferrals due to cash received and other	3,937	4,613
Deferred franchise fees and deferred development fees at end of period	$ 20,098	$ 20,590

Advertising Fund Assets

As of September 6, 2020, advertising fund assets, restricted of $144.3 million consisted of $118.9 million of cash and cash equivalents, $20.5 million of accounts receivable and $4.9 million of prepaid expenses. As of September 6, 2020, advertising fund cash and cash equivalents included $6.0 million of cash contributed from Company-owned stores that had not yet been expended.

As of December 29, 2019, advertising fund assets, restricted of $105.4 million consisted of $84.0 million of cash and cash equivalents, $15.3 million of accounts receivable and $6.1 million of prepaid expenses. As of December 29, 2019, advertising fund cash and cash equivalents included $3.5 million of cash contributed from U.S. Company-owned stores that had not yet been expended.

7. Leases

The Company leases certain retail store and supply chain center locations, supply chain vehicles and its corporate headquarters with expiration dates through 2041.

The components of operating and finance lease cost for the third quarter and three fiscal quarters of 2020 and the third quarter and three fiscal quarters of 2019 were as follows:

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 6, 2020	September 8, 2019	September 6, 2020	September 8, 2019
Operating lease cost	$ 10,267	$ 9,150	$ 30,099	$ 29,464
Finance lease cost:				
Amortization of right-of-use assets	548	254	1,248	763
Interest on lease liabilities	794	473	2,066	1,269
Total finance lease cost	$ 1,342	$ 727	$ 3,314	$ 2,032

Rent expense totaled $17.4 million and $50.0 million in the third quarter and three fiscal quarters of 2020, respectively, and totaled $16.1 million and $48.4 million in the third quarter and three fiscal quarters of 2019, respectively. Rent expense includes operating lease cost, as well as expense for non-lease components including common area maintenance, real estate taxes and insurance for the Company’s real estate leases. Rent expense also includes the variable rate per mile driven and fixed maintenance charges for the Company’s supply chain center tractors and trailers and expense for short-term rentals. Variable rent expense and rent expense for short-term leases were immaterial for the third quarter and three fiscal quarters of 2020 and 2019, respectively.

Supplemental balance sheet information related to the Company’s leases as of September 6, 2020 and December 29, 2019 was as follows:

	September 6, 2020	December 29, 2019
Land and buildings	$ 45,992	$ 25,476
Accumulated depreciation and amortization	(9,208)	(7,846)
Finance lease assets, net	$ 36,784	$ 17,630
Current portion of long-term debt	$ 1,662	$ 1,394
Long-term debt, less current portion	36,986	18,263
Total principal payable on finance leases	$ 38,648	$ 19,657

As of September 6, 2020 and December 29, 2019, the weighted average remaining lease term and weighted average discount rate for the Company’s operating and finance leases were as follows:

	September 6, 2020		December 29, 2019	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted average remaining lease term	7 years	17 years	8 years	14 years
Weighted average discount rate	3.8%	8.9%	3.8%	11.7%

Supplemental cash flow information related to leases for the third quarter and three fiscal quarters of 2020 and the third quarter and three fiscal quarters of 2019 was as follows:

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 6, 2020	September 8, 2019	September 6, 2020	September 8, 2019
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 9,288	$ 9,968	$ 29,455	$ 30,056
Operating cash flows from finance leases	794	473	2,066	1,269
Financing cash flows from finance leases	348	161	1,388	422
Right-of-use assets obtained in exchange for new lease obligations:				
Operating leases	10,719	23,434	26,297	49,802
Finance leases	1,717	—	20,463	—

Maturities of lease liabilities as of September 6, 2020 were as follows:

	Operating Leases	Finance Leases
2020	$ 15,170	$ 1,275
2021	42,865	4,965
2022	40,942	5,016
2023	35,519	5,075
2024	34,148	4,870
Thereafter	106,034	53,491
Total future minimum rental commitments	274,678	74,692
Less – amounts representing interest	(36,189)	(36,044)
Total lease liabilities	$238,489	$ 38,648

As of September 6, 2020, the Company has additional leases for one supply chain center and certain supply chain tractors and trailers that had not yet commenced with estimated future minimum rental commitments of approximately $28.8 million. These leases are expected to commence in 2020 with lease terms of up to 15 years. These undiscounted amounts are not included in the table above.

The Company has guaranteed lease payments related to certain franchisees' lease arrangements. The maximum amount of potential future payments under these guarantees was $13.9 million as of September 6, 2020. The Company does not believe these arrangements have or are likely to have a material effect on its results of operations, financial condition, revenues, expenses or liquidity.

8. Supplemental Disclosures of Cash Flow Information

The Company had non-cash investing activities related to accruals for capital expenditures of $5.1 million at September 6, 2020 and $6.9 million at December 29, 2019.

9. Investment in Dash Brands

In the second quarter of 2020, a subsidiary of the Company acquired a non-controlling interest in Dash Brands for $40.0 million. This investment is an equity investment without a readily determinable fair value and is recorded at cost with adjustments for observable changes in prices resulting from orderly transactions for the identical or a similar investment of the same issuer or impairments within long-term other assets in the Company's condensed consolidated balance sheet. The Company did not record any adjustments to the carrying amount of $40.0 million in the third quarter or three fiscal quarters of 2020. The Company is contractually required to invest an additional $40.0 million in Dash Brands in the first quarter of 2021, assuming certain performance conditions are satisfied. If such performance conditions are not satisfied, the Company has the option to make such additional investment at its discretion.

10. New Accounting Pronouncements

Recently Adopted Accounting Standard

ASU 2016-13, Financial Instruments – Credit Losses (Topic 326)

In June 2016, the Financial Accounting Standards Board ("FASB") issued *Accounting Standard Update ("ASU") 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASC 326 requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires a consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Company adopted this standard as of December 30, 2019, the first day of its 2020 fiscal year, using the modified retrospective approach and it did not have a material impact on its condensed consolidated financial statements.

The effects of the changes made to the Company's condensed consolidated balance sheet as of December 30, 2019 for the adoption of ASC 326 were as follows:

	Balance at December 29, 2019	Adjustments Due to ASC 326	Balance at December 30, 2019
Assets			
Current assets:			
Accounts receivable, net	$ 210,260	$ 1,435	$ 211,695
Prepaid expenses and other	19,129	4	19,133
Other assets:			
Other assets	12,521	27	12,548
Deferred income taxes	10,073	(364)	9,709
Liabilities and stockholders' deficit			
Stockholders' deficit:			
Retained deficit	(3,412,649)	1,102	(3,411,547)

The Company recognized the cumulative effect of initially applying ASC 326 as an adjustment to the opening balance of retained deficit. The comparative information has not been restated and continues to be reported under the accounting standards in effect for that period. An adjustment to beginning retained deficit and a corresponding adjustment to the allowance for doubtful accounts and notes receivable of approximately $1.5 million was recorded on the date of adoption, representing the remeasurement of these accounts to the Company's estimate for current expected credit losses. The adjustment to beginning retained deficit was also net of a $0.4 million adjustment to deferred income taxes.

Accounting Standards Not Yet Adopted

The Company has considered all new accounting standards issued by the FASB. The Company has not yet completed its assessment of the following standards.

ASU 2019-12, Income Taxes – Simplifying the Accounting for Income Taxes (Topic 740)

In December 2019, the FASB issued *ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (ASU 2019-12), which simplifies the accounting for income taxes. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, including applicable interim periods. The Company is currently assessing the impact of adopting this standard but does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

ASU 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848)

In March 2020, the FASB issued *ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting,* which provides temporary optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions affected by reference rate reform. The Company's floating rate notes and variable funding notes bear interest at fluctuating interest rates based on LIBOR. If LIBOR ceases to exist, the Company may need to renegotiate its loan documents and the Company cannot predict what alternative index would be negotiated with its lenders. ASU 2020-04 is currently effective and upon adoption may be applied prospectively to contract modifications made on or before December 31, 2022. The Company is currently assessing the impact of adopting this standard but does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

11. COVID-19 Pandemic

In December 2019, a novel coronavirus disease (“COVID-19”) was reported and in January 2020, the World Health Organization (“WHO”) declared it a Public Health Emergency of International Concern. On February 28, 2020, the WHO raised its assessment of the COVID-19 threat from high to very high at a global level due to the continued increase in the number of cases and affected countries, and on March 11, 2020, the WHO characterized COVID-19 as a pandemic. During the second and third fiscal quarters of 2020 in the midst of the COVID-19 pandemic, the Company continued to increase its U.S. Stores revenues. Supply Chain also remained operational, with minimal interruptions due to COVID-19 and experienced higher volumes as a result of the increases in store sales. The COVID-19 pandemic negatively impacted the Company’s International Franchise revenues during the second quarter of 2020 due to temporary store closures in certain markets as well as changes in operating procedures and store hours resulting from actions taken to increase social distancing across the Company’s international franchise markets. In the third quarter of 2020, these negative impacts lessened due to the reopening and resumption of normal store hours at the majority of the Company’s international franchised stores that had been temporarily closed for portions of the prior quarter. The Company also made certain investments during the COVID-19 pandemic related to safety and cleaning equipment, enhanced sick pay and compensation for frontline team members and support for the Company’s franchisees and their communities. The Company is closely monitoring the impact of the pandemic on all aspects of its business and is unable at this time to predict the continued impact that COVID-19 will have on its business, financial position and operating results in future periods due to numerous uncertainties.

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

The 2020 and 2019 third quarters referenced herein represent the twelve-week periods ended September 6, 2020 and September 8, 2019, respectively. The 2020 and 2019 three fiscal quarters referenced herein represent the thirty-six-week periods ended September 6, 2020 and September 8, 2019, respectively.

Overview

Domino's is the largest pizza company in the world based on global retail sales, with more than 17,200 locations in over 90 markets. Founded in 1960, our roots are in convenient pizza delivery, while a significant amount of our sales also come from carryout customers. Domino's generates revenues and earnings by charging royalties and fees to our independent franchisees. The Company also generates revenues and earnings by selling food, equipment and supplies to franchisees primarily in the U.S. and Canada, and by operating a number of our own stores in the U.S. 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 can profit by sub-franchising and selling ingredients and equipment to those sub-franchisees, as well as by running pizza stores directly. We believe that everyone in the system can benefit, including the end consumer, who can feed their family Domino's menu items conveniently and economically.

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

	Third Quarter of 2020		Third Quarter of 2019		Three Fiscal Quarters of 2020		Three Fiscal Quarters of 2019	
Global retail sales growth (versus prior year period, excluding foreign currency impact)		+14.8%		+7.5%		+9.6%		+8.1%
Same store sales growth (1):								
U.S. Company-owned stores		+16.6%		+1.7%		+12.4%		+2.3%
U.S. franchise stores		+17.5%		+2.5%		+11.6%		+3.2%
U.S. stores		+17.5%		+2.4%		+11.7%		+3.1%
International stores (excluding foreign currency impact)		+6.2%		+1.7%		+3.0%		+2.0%
Store counts (at end of period):								
U.S. Company-owned stores		348		333				
U.S. franchise stores		5,891		5,652				
U.S. stores		6,239		5,985				
International stores		11,017		10,543				
Total stores (2)		17,256		16,528				
Income statement data:								
Total revenues	$967.7	100.0%	$820.8	100.0%	$2,760.8	100.0%	$2,468.4	100.0%
Cost of sales	605.7	62.6%	504.6	61.5%	1,701.6	61.7%	1,513.2	61.3%
General and administrative	91.7	9.4%	83.7	10.2%	268.2	9.7%	262.6	10.7%
U.S. franchise advertising	108.1	11.2%	89.5	10.9%	309.4	11.2%	267.1	10.8%
Income from operations	162.2	16.8%	143.0	17.4%	481.6	17.4%	425.5	17.2%
Interest expense, net	(38.4)	(4.0)%	(32.8)	(4.0)%	(116.0)	(4.2)%	(100.1)	(4.0)%
Income before provision for income taxes	123.8	12.8%	110.2	13.4%	365.6	13.2%	325.4	13.2%
Provision for income taxes	24.6	2.6%	23.9	2.9%	26.2	0.9%	54.0	2.2%
Net income	$ 99.1	10.2%	$ 86.4	10.5%	$ 339.4	12.3%	$ 271.4	11.0%

(1) Same store sales growth is calculated for a given period by including only sales from stores that had sales in the comparable weeks of both years. International same store sales growth is calculated similarly to U.S. same store sales growth. Changes in international same store sales are reported excluding foreign currency impacts, which reflect changes in international local currency sales.
(2) Temporary store closures are not treated as store closures and affected stores are included in the ending store count.

During the third quarter and three fiscal quarters of 2020, we experienced global retail sales growth and U.S. and international same store sales growth. Our commitment to value, convenience, quality and new products continues to keep consumers engaged with the brand. During the third quarter, we launched three new products in the U.S., including chicken wings and two new specialty pizzas, each of which have been positively received by consumers. Beginning at the end of the first quarter of 2020 and through the date of this filing, customer ordering behavior during the COVID-19 pandemic has resulted in a significant increase in U.S. same store sales. We did not experience significant temporary closures in our U.S. business. Additionally, our supply chain experienced minimal disruptions due to COVID-19 and experienced higher volumes from the increases in store sales. The COVID-19 pandemic negatively impacted our international franchise revenues during the second quarter of 2020 due to temporary store closures in certain markets as well as changes in operating procedures and store hours resulting from actions taken to increase social distancing across our international franchise markets. In the third quarter of 2020, these negative impacts lessened due to the reopening and resumption of normal store hours at the majority of our international franchised stores that had been temporarily closed for portions of the prior quarter. Our U.S. and international same store sales growth was also partially offset by our current strategy to increase store concentration in certain markets where we compete.

We also continued our global expansion with the opening of 83 net new stores in the third quarter of 2020, bringing our year-to-date total to 236. We had 44 net new stores open in the U.S. during the third quarter of 2020. Although 162 gross new stores opened internationally, 123 stores closed, primarily in India. The COVID-19 pandemic has had a negative impact on anticipated store openings in our international business to-date due to delays in approvals and government restrictions in certain of the markets that our master franchisees operate. Overall, we believe this global store growth, along with our strong sales, emphasis on technology, operations, and marketing initiatives, have combined to strengthen our brand.

Global retail sales, excluding foreign currency impact, which includes total retail sales at franchise and Company-owned stores worldwide, increased 14.8% in the third quarter of 2020 and increased 9.6% in the three fiscal quarters of 2020. These increases were driven by U.S. and international same store sales growth as well as an increase in store counts during the trailing four quarters. The negative impact of changes in foreign currency exchange rates partially offset this increase, resulting from a generally stronger U.S. dollar when compared to the currencies in the international markets in which we compete. U.S. same store sales growth reflected the sustained positive sales trends and the continued success of our products, marketing and technology platforms, as well as shifts in consumer behavior across the restaurant industry toward delivery and larger order sizes throughout the COVID-19 pandemic. International same store sales growth also reflected continued positive performance but has been adversely affected by temporary store closures in certain of our international markets as discussed above. Based on information reported to us by our master franchisees, we estimate that as of September 6, 2020, there were fewer than 400 international stores temporarily closed.

Total revenues increased $146.9 million, or 17.9%, in the third quarter of 2020 and increased $292.4 million, or 11.8%, in the three fiscal quarters of 2020. These increases were due primarily to higher U.S. retail sales, which resulted in higher supply chain and U.S. franchise revenues. U.S. Company-owned stores revenues increased in the third quarter of 2020 and three fiscal quarters of 2020 due to same store sales growth, but were partially offset in the three fiscal quarters of 2020 due to the sale of 59 Company-owned stores to certain of our existing U.S. franchisees during the second quarter of 2019 (the “2019 Store Sale”). International franchise revenues in the third quarter and three fiscal quarters of 2020 were pressured by the negative impact of changes in foreign currency exchange rates and targeted financial relief provided to certain of our master franchisees. These changes in revenues are described in more detail below.

Income from operations increased $19.2 million, or 13.4%, in the third quarter of 2020 and increased $56.1 million, or 13.2%, in the three fiscal quarters of 2020. These increases were primarily driven by higher royalty revenues from our U.S. franchised stores, as well as higher supply chain margins. Higher general and administrative expenses partially offset these increases.

Net income increased $12.8 million, or 14.8%, in the third quarter of 2020 and increased $68.0 million, or 25.1%, in the three fiscal quarters of 2020, driven by higher income from operations, partially offset by higher interest expense resulting from a higher average debt balance following our recapitalization transaction completed on November 19, 2019 (the “2019 Recapitalization”) and, to a lesser extent, borrowings under our variable funding notes in 2020. Net income in the three fiscal quarters of 2020 also benefited from lower tax expense resulting primarily from higher excess tax benefits from equity-based compensation.

Revenues

	Third Quarter of 2020		Third Quarter of 2019		Three Fiscal Quarters of 2020		Three Fiscal Quarters of 2019	
U.S. Company-owned stores	$113.3	11.7%	$ 94.6	11.5%	$ 329.8	11.9%	$ 323.0	13.1%
U.S. franchise royalties and fees	118.1	12.2%	97.0	11.8%	335.9	12.2%	289.3	11.7%
Supply chain	573.7	59.3%	485.1	59.1%	1,625.5	58.9%	1,424.8	57.8%
International franchise royalties and fees	54.6	5.6%	54.6	6.7%	160.2	5.8%	164.1	6.6%
U.S. franchise advertising	108.1	11.2%	89.5	10.9%	309.4	11.2%	267.1	10.8%
Total revenues	$967.7	100.0%	$820.8	100.0%	$2,760.8	100.0%	$2,468.4	100.0%

Revenues primarily consist of retail sales from our Company-owned stores, advertising contributions, royalties and fees from our U.S. franchised stores, royalties and fees from our international franchised stores and sales of food, equipment and supplies from our supply chain centers to substantially all of our U.S. franchised stores and certain international franchised stores. Company-owned store and franchised store revenues may vary from period to period due to changes in store count mix. Supply chain revenues may vary significantly from period to period as a result of fluctuations in commodity prices as well as the mix of products we sell.

U.S. Stores Revenues

	Third Quarter of 2020		Third Quarter of 2019		Three Fiscal Quarters of 2020		Three Fiscal Quarters of 2019	
U.S. Company-owned stores	$113.3	33.4%	$ 94.6	33.6%	$329.8	33.8%	$323.0	36.7%
U.S. franchise royalties and fees	118.1	34.8%	97.0	34.5%	335.9	34.5%	289.3	32.9%
U.S. franchise advertising	108.1	31.8%	89.5	31.9%	309.4	31.7%	267.1	30.4%
U.S. stores	$339.5	100.0%	$281.1	100.0%	$975.1	100.0%	$879.5	100.0%

U.S. Company-Owned Stores

Revenues from U.S. Company-owned store operations increased $18.7 million, or 19.8%, in the third quarter of 2020 and increased $6.8 million, or 2.1%, in the three fiscal quarters of 2020 due primarily to same store sales growth. The increase in revenues in the three fiscal quarters of 2020 was partially offset by lower revenues resulting from the 2019 Store Sale. Company-owned same store sales increased 16.6% in the third quarter of 2020 and increased 12.4% in the three fiscal quarters of 2020. Company-owned same store sales increased 1.7% in the third quarter of 2019 and increased 2.3% in the three fiscal quarters of 2019.

U.S. Franchise Royalties and Fees

Revenues from U.S. franchise royalties and fees increased $21.1 million, or 21.6%, in the third quarter of 2020 and increased $46.6 million, or 16.1%, in the three fiscal quarters of 2020 due primarily to higher same store sales and an increase in the average number of U.S. franchised stores open during the period due to net store growth. U.S. franchise royalties were negatively impacted by $3.0 million in the three fiscal quarters of 2020 related to funding we provided to our franchisees for an effort to donate 10 million slices of pizza to people and organizations at the frontlines of the COVID-19 pandemic in the franchisees' local communities. U.S. franchise same store sales increased 17.5% in the third quarter of 2020 and increased 11.6% in the three fiscal quarters of 2020. U.S. franchise same store sales increased 2.5% in the third quarter of 2019 and increased 3.2% in the three fiscal quarters of 2019. U.S. franchise royalties and fees further benefited in both the third quarter and the three fiscal quarters of 2020 from an increase in revenues from fees paid by franchisees for the use of our technology platforms.

U.S. Franchise Advertising

Revenues from U.S. franchise advertising increased $18.6 million, or 20.8%, in the third quarter of 2020 and increased $42.3 million, or 15.8%, in the three fiscal quarters of 2020 due primarily to higher same store sales and an increase in the average number of U.S. franchised stores open during the period due to net store growth.

Supply Chain

Supply chain revenues increased $88.6 million, or 18.3%, in the third quarter of 2020 and increased $200.7 million, or 14.1%, in the three fiscal quarters of 2020. These increases were primarily due to higher volumes from increased orders resulting from U.S. franchise retail sales growth. Our market basket pricing to stores increased 3.8% during the third quarter of 2020, which resulted in an estimated $19.7 million increase in supply chain revenues. Our market basket pricing to stores increased 1.9% during the three fiscal quarters of 2020, which resulted in an estimated $28.1 million increase in supply chain revenues.

International Franchise Royalties and Fee Revenues

Revenues from international franchise royalties and fees were flat in the third quarter of 2020 and decreased $3.9 million, or 2.4%, in the three fiscal quarters of 2020. The impact of changes in foreign currency exchange rates negatively impacted revenue from international royalties and fees by $0.7 million in the third quarter of 2020 and $4.3 million in the three fiscal quarters of 2020. Temporary store closures in certain markets and changes in operating procedures and store hours resulting from actions taken to increase social distancing across certain of the markets in which we operate, as well as targeted financial relief provided to certain of our master franchisees due to the COVID-19 pandemic, also had a negative impact on international franchise revenues in the third quarter and three fiscal quarters of 2020. These pressures were partially offset by same store sales growth. Excluding the impact of changes in foreign currency exchange rates, international franchise same store sales increased 6.2% in the third quarter of 2020 and increased 3.0% in the three fiscal quarters of 2020. Excluding the impact of changes in foreign currency exchange rates, international franchise same store sales increased 1.7% in the third quarter of 2019 and increased 2.0% in the three fiscal quarters of 2019.

Cost of Sales / Operating Margin

	Third Quarter of 2020		Third Quarter of 2019		Three Fiscal Quarters of 2020		Three Fiscal Quarters of 2019	
Consolidated revenues	$967.7	100.0%	$820.8	100.0%	$2,760.8	100.0%	$2,468.4	100.0%
Consolidated cost of sales	605.7	62.6%	504.6	61.5%	1,701.6	61.6%	1,513.2	61.3%
Consolidated operating margin	$362.0	37.4%	$316.3	38.5%	$1,059.2	38.4%	$ 955.2	38.7%

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

Consolidated operating margin (which we define as revenues less cost of sales) increased $45.7 million, or 14.5%, in the third quarter of 2020 and increased $104.0 million, or 10.9%, in the three fiscal quarters of 2020 due primarily to higher U.S. franchise revenues and higher supply chain volumes. Franchise revenues do not have a cost of sales component, so changes in these revenues have a disproportionate effect on the operating margin.

As a percentage of revenues, the consolidated operating margin decreased 1.1 percentage points in the third quarter of 2020 and decreased 0.3 percentage points in the three fiscal quarters of 2020. Company-owned store operating margin decreased 4.5 percentage points in the third quarter of 2020 and decreased 1.6 percentage points in the three fiscal quarters of 2020. Supply chain operating margin decreased 0.6 percentage points in the third quarter of 2020 and remained flat in the three fiscal quarters of 2020. These changes in operating margin are more fully discussed below.

U.S. Company-Owned Stores Operating Margin

	Third Quarter of 2020		Third Quarter of 2019		Three Fiscal Quarters of 2020		Three Fiscal Quarters of 2019	
Revenues	$113.3	100.0%	$94.6	100.0%	$329.8	100.0%	$323.0	100.0%
Cost of sales	90.8	80.2%	71.6	75.7%	258.0	78.2%	247.5	76.6%
Store operating margin	$ 22.5	19.8%	$23.0	24.3%	$ 71.8	21.8%	$ 75.5	23.4%

The U.S. Company-owned store operating margin (which does not include certain store-level costs such as royalties and advertising) decreased $0.5 million, or 2.2%, in the third quarter of 2020 due primarily to higher labor costs, partially offset by higher same store sales. The U.S. Company-owned store operating margin decreased $3.7 million, or 4.9%, in the three fiscal quarters of 2020 due primarily to the 2019 Store Sale and to a lesser extent, higher labor costs, partially offset by same store sales growth. As a percentage of store revenues, the store operating margin decreased 4.5 percentage points in the third quarter of 2020 and decreased 1.6 percentage points in the three fiscal quarters of 2020. These changes in operating margin as a percentage of revenues are discussed in more detail below.

- Food costs increased 0.1 percentage points to 27.5% in the third quarter of 2020 due to higher food prices, partially offset by the leveraging of higher same store sales. Food costs decreased 0.1 percentage points to 27.0% in the first three fiscal quarters of 2020 due to the leveraging of higher same store sales.
- Labor costs increased 3.7 percentage points to 31.8% in the third quarter of 2020 and increased 1.4 percentage points to 31.0% in the three fiscal quarters of 2020 due primarily to additional compensation expense for frontline team members during the COVID-19 pandemic. In the three fiscal quarters of 2020, these increases were partially offset by reduced labor costs as a percentage of store revenues resulting from the 2019 Store Sale due to the higher labor rates in the market in which the sold stores operated.
- Occupancy costs decreased 0.8 percentage points to 7.5% in the third quarter of 2020 and decreased 0.4 percentage points to 7.4% in the three fiscal quarters of 2020 due primarily to the leveraging of higher same store sales.
- Repairs and maintenance cost increased 0.9 percentage points to 1.8% in the third quarter of 2020 and increased 0.4 percentage points to 1.2% in the three fiscal quarters of 2020 due to preventative maintenance in our stores.

Supply Chain Operating Margin

	Third Quarter of 2020		Third Quarter of 2019		Three Fiscal Quarters of 2020		Three Fiscal Quarters of 2019	
Revenues	$573.7	100.0%	$485.1	100.0%	$1,625.5	100.0%	$1,424.8	100.0%
Cost of sales	515.0	89.8%	433.0	89.2%	1,443.6	88.8%	1,265.7	88.8%
Supply chain operating margin	$ 58.7	10.2%	$ 52.2	10.8%	$ 181.9	11.2%	$ 159.1	11.2%

Supply chain operating margin increased $6.5 million, or 12.6%, in the third quarter of 2020 and increased $22.8 million, or 14.3%, in the three fiscal quarters of 2020, primarily driven by higher volumes from increased orders. As a percentage of supply chain revenues, the supply chain operating margin decreased 0.6 percentage points in the third quarter of 2020 and remained flat in the three fiscal quarters of 2020 due primarily to higher food costs, partially offset in the third quarter of 2020 and fully offset in the three fiscal quarters of 2020 by lower labor and delivery costs as a percentage of revenues.

General and Administrative Expenses

General and administrative expenses increased $8.0 million, or 9.5%, in the third quarter of 2020 and increased $5.6 million, or 2.1%, in the three fiscal quarters of 2020, driven by higher variable performance-based compensation expense.

U.S. Franchise Advertising Expenses

U.S. franchise advertising expenses increased $18.6 million, or 20.8%, in the third quarter of 2020 and increased $42.3 million, or 15.8%, in the three fiscal quarters of 2020 due to higher U.S. franchise advertising revenues. U.S. franchise advertising costs are accrued and expensed when the related U.S. franchise advertising revenues are recognized, as our consolidated not-for-profit advertising fund is obligated to expend such revenues on advertising and these revenues cannot be used for general corporate purposes.

Interest Expense, Net

Interest expense, net increased $5.6 million, or 17.2%, in the third quarter of 2020 and increased $15.9 million, or 15.9%, in the three fiscal quarters of 2020 driven primarily by higher average debt balances resulting from the 2019 Recapitalization and borrowings under the Company's variable funding notes in the three fiscal quarters of 2020.

The Company's weighted average borrowing rate decreased to 3.9% in both the third quarter and the three fiscal quarters of 2020, from 4.1% in both the third quarter and the three fiscal quarters of 2019, resulting from the lower interest rates on the debt outstanding in 2020 as compared to the same periods in 2019.

Provision for Income Taxes

Provision for income taxes increased $0.8 million, or 3.2%, in the third quarter of 2020 due to higher pre-tax income, partially offset by higher excess tax benefits on equity-based compensation, which are recorded as a reduction to the income tax provision. Provision for income taxes decreased $27.8 million, or 51.5%, in the three fiscal quarters of 2020 due primarily to higher excess tax benefits on equity-based compensation, partially offset by higher pre-tax income. The Company recognized $3.4 million in excess tax benefits in the third quarter of 2020 as compared to $1.2 million in the third quarter of 2019 and recognized $56.9 million in excess tax benefits in the three fiscal quarters of 2020 as compared to $19.7 million in the three fiscal quarters of 2019, resulting from a significant increase in stock options exercised in 2020 as compared to 2019. The effective tax rate decreased to 19.9% in the third quarter of 2020 and decreased to 7.2% in the three fiscal quarters of 2020 as compared to 21.7% in the third quarter of 2019 and 16.6% in the three fiscal quarters of 2019.

COVID-19 Impact

As of September 6, 2020, nearly all of our U.S. stores remained open, with stores deploying contactless delivery and carryout solutions. Based on information reported to us by our master franchisees, we estimate that as of September 6, 2020, there were fewer than 400 international stores temporarily closed.

As discussed further in "Liquidity and Capital Resources", given the market uncertainty arising from COVID-19, we took a precautionary measure and borrowed $158.0 million under our variable funding notes during the second quarter of 2020. We repaid $100.0 million of these borrowings during the second quarter of 2020 and $58.0 million in the third quarter of 2020. As of September 6, 2020, we had less than $0.1 million outstanding under our variable funding notes.

During the COVID-19 pandemic, we also made certain investments related to safety and cleaning equipment, enhanced sick pay and compensation for frontline team members and support for our franchisees and their communities. While it is not possible at this time to estimate the full continued impact that COVID-19 could have on our business, the continued spread of COVID-19 and the measures taken by the governments of countries affected could disrupt our continuing operations and supply chain and, as a result, could adversely impact our business, financial condition or results of operations.

Liquidity and Capital Resources

Historically, we have operated with minimal positive working capital or negative working capital, primarily because our receivable collection periods and inventory turn rates are faster than the normal payment terms on our current liabilities. We generally collect our receivables within three weeks from the date of the related sale, and we generally experience 35 to 45 inventory turns per year. In addition, our sales are not typically seasonal, which further limits our working capital requirements. The use of our ongoing cash flows from operations to service our debt obligations, invest in our business, pay dividends and repurchase our common stock reduces our working capital amounts. As of September 6, 2020, we had working capital of $301.7 million, excluding restricted cash and cash equivalents of $160.3 million, advertising fund assets, restricted, of $144.3 million and advertising fund liabilities of $138.3 million. Working capital includes total unrestricted cash and cash equivalents of $330.7 million.

During the third quarter and three fiscal quarters of 2020, we experienced increases in both U.S. and international same store sales versus the comparable periods in the prior year. Additionally, our U.S. and international businesses grew store counts in the third quarter and the three fiscal quarters of 2020. These factors contributed to our continued ability to generate positive operating cash flows. We expect to continue to use our unrestricted cash and cash equivalents, cash flows from operations, excess cash from our recapitalization transactions and available borrowings under our variable funding notes to, among other things, fund working capital requirements, invest in our core business, service our indebtedness, pay dividends and repurchase our common stock. We did not have any material commitments for capital expenditures as of September 6, 2020.

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

Restricted Cash

As of September 6, 2020, we had approximately $113.6 million of restricted cash held for future principal and interest payments and other working capital requirements of our asset-backed securitization structure, $46.1 million of restricted cash held in a three-month interest reserve as required by the related debt agreements and $0.6 million of other restricted cash for a total of $160.3 million of restricted cash and cash equivalents. As of September 6, 2020, we also held $118.9 million of advertising fund restricted cash and cash equivalents, which can only be used for activities that promote the Domino’s Pizza brand.

Long-Term Debt

As of September 6, 2020, we had approximately $4.11 billion of total debt, of which $43.7 million was classified as a current liability. Our fixed and floating rate notes from the recapitalizations we completed in 2019, 2018, 2017 and 2015 have original scheduled principal payments of $10.5 million in the remainder of 2020, $42.0 million in 2021, $897.0 million in 2022, $33.0 million in each of 2023 and 2024, $1.15 billion in 2025, $20.8 million in 2026, $1.28 billion in 2027, $6.8 million in 2028 and $614.3 million in 2029. As of September 6, 2020, we had less than $0.1 million of outstanding borrowings under our variable funding notes and approximately $160.0 million available for borrowing, net of letters of credit issued of $40.0 million. The letters of credit are primarily related to our casualty insurance programs and supply chain center leases. Borrowings under the variable funding notes are available to fund our working capital requirements, capital expenditures and, subject to other limitations, other general corporate purposes including dividend payments and share repurchases.

Share Repurchase Programs

Our share repurchase programs have historically been funded by excess operating cash flows, excess proceeds from our recapitalization transactions and borrowings under our variable funding notes. The Company’s Board of Directors authorized a share repurchase program to repurchase up to $1.0 billion of the Company’s common stock on October 4, 2019.

During the first week of the first quarter of 2020, we repurchased and retired 271,064 shares of our common stock under our Board of Directors-approved share repurchase program for a total of approximately $79.6 million. We did not repurchase and retire any shares of our common stock during the remainder of the first quarter or during the second or third quarters of 2020. As of September 6, 2020, the Company had a total remaining authorized amount for share repurchases of approximately $326.6 million.

During the third quarter of 2019, we repurchased and retired 384,338 shares of our common stock under our Board of Directors-approved share repurchase program for a total of approximately $93.7 million. During the three fiscal quarters of 2019, we repurchased and retired 430,182 shares of our common stock under our Board of Directors-approved share repurchase program for a total of approximately $105.1 million.

Dividends

On June 30, 2020, the Company paid a $0.78 dividend to its shareholders of record as of June 15, 2020. During the third quarter of 2020, on July 15, 2020, the Company's Board of Directors declared a $0.78 per share quarterly dividend on its outstanding common stock for shareholders of record as of September 15, 2020, which was paid on September 30, 2020.

Subsequent to the third quarter, on October 6, 2020, the Company's Board of Directors declared a $0.78 per share quarterly dividend on its outstanding common stock for shareholders of record as of December 15, 2020 to be paid on December 30, 2020.

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

(In millions)	Three Fiscal Quarters of 2020	Three Fiscal Quarters of 2019
Cash Flows Provided By (Used In)		
Net cash provided by operating activities	$ 370.4	$ 324.6
Net cash used in investing activities	(91.1)	(3.1)
Net cash used in financing activities	(153.6)	(246.3)
Exchange rate changes	0.2	0.1
Change in cash and cash equivalents, restricted cash and cash equivalents	$ 126.0	$ 75.3

Operating Activities

Cash provided by operating activities increased $45.8 million in the three fiscal quarters of 2020 due to an increase in net income of $68.0 million and higher non-cash amounts of $6.6 million. These increases were partially offset by a $28.8 million negative impact of changes in operating assets and liabilities in 2020 as compared to 2019, which primarily related to an increase in our inventory and accounts receivable balances, as well as the timing of payments on accounts payable. These operating asset and liability changes were partially offset by an increase in advertising fund assets and liabilities, restricted in 2020 as compared to 2019 due to lower spending of fund assets.

Investing Activities

Cash used in investing activities was $91.1 million in the three fiscal quarters of 2020, which consisted primarily of capital expenditures of $51.2 million (driven primarily by investments in technological initiatives, supply chain centers and corporate stores) and the investment in Dash Brands of $40.0 million.

Cash used in investing activities was $3.1 million in the three fiscal quarters of 2019. We used $42.7 million of cash for capital expenditures (driven primarily by investments in technological initiatives and supply chain centers). This use of cash was partially offset by maturities of advertising fund investments, restricted of $30.2 million and proceeds from the sale of assets of $9.7 million, which primarily related to the 2019 Store Sale.

Financing Activities

Cash used in financing activities was $153.6 million in the three fiscal quarters of 2020. We borrowed $158.0 million under our variable funding notes during the three fiscal quarters of 2020 and repaid $190.8 million of long-term debt (of which approximately $158.0 million related to the repayment of borrowings under our variable funding notes). We also repurchased approximately $79.6 million in common stock under our Board of Directors-approved share repurchase program in the first week of 2020, made dividend payments to our shareholders of $61.1 million and made tax payments for restricted stock upon vesting of $6.6 million. These uses of cash were partially offset by proceeds from the exercise of stock options of $26.5 million.

Cash used in financing activities was $246.3 million in the three fiscal quarters of 2019, primarily related to purchases of common stock of $105.1 million under our Board of Directors-approved share repurchase program, repayments of long-term debt of $91.9 million (of which $65.0 million related to the repayment of borrowings under our variable funding notes), dividend payments to our shareholders of $53.6 million and tax payments for restricted stock upon vesting of $5.8 million. These uses of cash were partially offset by proceeds from the exercise of stock options of $10.1 million.

Forward-Looking Statements

This filing contains various forward-looking statements about the Company within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Act”) that are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. The following cautionary statements are being made pursuant to the provisions of the Act and with the intention of obtaining the benefits of the “safe harbor” provisions of the Act. You can identify forward-looking statements by the use of words such as “anticipates,” “believes,” “could,” “should,” “estimates,” “expects,” “intends,” “may,” “will,” “plans,” “predicts,” “projects,” “seeks,” “approximately,” “potential,” “outlook” and similar terms and phrases that concern our strategy, plans or intentions, including references to assumptions. These forward-looking statements address various matters including information concerning future results of operations and business strategy, our anticipated profitability, estimates in same store sales growth, the growth of our U.S. and international business, ability to service our indebtedness, our future cash flows, our operating performance, trends in our business and other descriptions of future events reflect the Company’s expectations based upon currently available information and data. While we believe these expectations and projections are based on reasonable assumptions, such forward-looking statements are inherently subject to risks, uncertainties and assumptions. Important factors that could cause actual results to differ materially from our expectations are more fully described under the section headed “Risk Factors” in this filing and in our other filings with the Securities and Exchange Commission, including under the section headed “Risk Factors” in our 2019 Form 10-K and in our Quarterly Reports on Form 10-Q for the quarterly periods ended March 22, 2020 and June 14, 2020. Actual results may differ materially from those expressed or implied in the forward-looking statements as a result of various factors, including but not limited to: our substantial increased indebtedness as a result of our recapitalization transactions and our ability to incur additional indebtedness or refinance or renegotiate key terms of that indebtedness in the future; the impact a downgrade in our credit rating may have on our business, financial condition and results of operations; our future financial performance and our ability to pay principal and interest on our indebtedness; the effectiveness of our advertising, operations and promotional initiatives; the strength of our brand, including our ability to compete in the U.S. and internationally in our intensely competitive industry, including the food service and food delivery markets; our ability to manage difficulties associated with or related to the COVID-19 pandemic and the effects of COVID-19 on our business and supply chain; the impact of social media and other consumer-oriented technologies on our business, brand and reputation; new product, digital ordering and concept developments by us, and other food-industry competitors; the impact of new or improved technologies and alternative methods of delivery on consumer behavior; our ability to maintain good relationships with and attract new franchisees, and franchisees’ ability to profitably manage their operations without negatively impacting our brand’s reputation; our ability to successfully implement cost-saving strategies; our ability and that of our franchisees to successfully operate in the current and future credit environment; changes in the level of consumer spending given general economic conditions, including interest rates, energy prices and consumer confidence; our ability and that of our franchisees to open new restaurants and keep existing restaurants in operation; changes in operating expenses resulting from changes in prices of food (particularly cheese), fuel and other commodity costs, labor, utilities, insurance, employee benefits and other operating costs; the impact that widespread illness, health epidemics or general health concerns, severe weather conditions and natural disasters may have on our business and the economies of the countries where we operate; changes in foreign currency exchange rates; our ability to retain or replace our executive officers and other key members of management and our ability to adequately staff our stores and supply chain centers with qualified personnel; our ability to find and/or retain suitable real estate for our stores and supply chain centers; changes in government legislation and regulations, including changes in laws and regulations regarding information privacy, payment methods consumer protection and social media; adverse legal judgments or settlements; food-borne illness or contamination of products; data breaches, power loss, technological failures, user error or other cyber risks threatening us or our franchisees; the effect of war, terrorism, catastrophic events or climate change; our ability to pay dividends and repurchase shares; changes in consumer preferences, spending and traffic patterns and demographic trends; actions by activist investors; changes in accounting policies; and adequacy of our insurance coverage. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this filing might not occur. All forward-looking statements speak only as of the date of this filing and should be evaluated with an understanding of their inherent uncertainty. Except as required under federal securities laws and the rules and regulations of the Securities and Exchange Commission, or other applicable law, we will not undertake, and specifically disclaim, any obligation to publicly update or revise any forward-looking statements to reflect events or circumstances arising after the date of this filing, whether as a result of new information, future events or otherwise. You are cautioned not to place undue reliance on the forward-looking statements included in this filing or that may be made elsewhere from time to time by, or on behalf of, us. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market Risk

We do not engage in speculative transactions nor do we hold or issue financial instruments for trading purposes. In connection with the recapitalizations of our business, we issued fixed and floating rate notes and entered into variable funding notes and, at September 6, 2020, we are exposed to interest rate risk on borrowings under our floating rate notes and variable funding notes. As of September 6, 2020, we had less than $0.1 million of outstanding borrowings under our variable funding notes. Our floating rate notes and our variable funding notes bear interest at fluctuating interest rates based on LIBOR.

There is currently uncertainty around whether LIBOR will continue to exist after 2021. If LIBOR ceases to exist, we may need to renegotiate our loan documents and we cannot predict what alternative index would be negotiated with our lenders. As a result, our interest expense could increase, in which event we may have difficulties making interest payments and funding our other fixed costs, and our available cash flow for general corporate requirements may be adversely affected.

Our fixed rate debt exposes the Company to changes in market interest rates reflected in the fair value of the debt and to the risk that the Company may need to refinance maturing debt with new debt at a higher rate.

We are exposed to market risks from changes in commodity prices. During the normal course of business, we purchase cheese and certain other food products that are affected by changes in commodity prices and, as a result, we are subject to volatility in our food costs. We may periodically enter into financial instruments to manage this risk. We do not engage in speculative transactions or hold or issue financial instruments for trading purposes. In instances when we use fixed pricing agreements with our suppliers, these agreements cover our physical commodity needs, are not net-settled and are accounted for as normal purchases.

We have exposure to various foreign currency exchange rate fluctuations for revenues generated by our operations outside the U.S., which can adversely impact our net income and cash flows. Approximately 5.6% of our total revenues in the third quarter of 2020, approximately 5.8% of our total revenues in the three fiscal quarters of 2020, approximately 6.7% of our total revenues in the third quarter of 2019 and approximately 6.6% of our total revenues in the three fiscal quarters of 2019 were derived from our international franchise segment, a majority of which were denominated in foreign currencies. We also operate dough manufacturing and distribution facilities in Canada, which generate revenues denominated in Canadian dollars. We do not enter into financial instruments to manage this foreign currency exchange rate risk. A hypothetical 10% adverse change in the foreign currency exchange rates for our international markets would have resulted in a negative impact on royalty revenues of approximately $14.1 million in the three fiscal quarters of 2020.

Item 4. Controls and Procedures.

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

During the quarterly period ended September 6, 2020, there were no changes in the Company’s internal controls over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended, that have materially affected or are reasonably likely to materially affect the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

On February 14, 2011, Domino’s Pizza LLC was named as a defendant in a lawsuit along with Fischler Enterprises of C.F., Inc., a franchisee, and Jeffrey S. Kidd, the franchisee’s delivery driver, filed by Yvonne Wiederhold, the plaintiff, as Personal Representative of the Estate of Richard E. Wiederhold, deceased. The case involved a traffic accident in which the franchisee’s delivery driver is alleged to have caused an accident involving a vehicle driven by Richard Wiederhold. Mr. Wiederhold sustained spinal injuries resulting in quadriplegia and passed away several months after the accident. The case went to trial in 2016 and the Company was found liable, but the verdict was reversed by the Florida Fifth District Court of Appeals in May 2018 and was remanded to the Ninth Judicial Circuit Court of Florida for a new trial. The case was tried again in June 2019 and the jury returned a $9.0 million judgment for the plaintiff where the Company and Mr. Kidd were found to be 100% liable (after certain offsets and other deductions the final verdict was $8.0 million). The Company continues to deny liability and has filed an appeal.

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

Item 1A. Risk Factors.

Our operations have been and are expected to continue to be adversely affected by the COVID-19 pandemic, which could adversely affect our business, financial condition and results of operations as well.

The COVID-19 pandemic has spread across the globe and is impacting worldwide economic activity. A public health pandemic such as COVID-19 poses the risk that we and/or our employees, franchisees, supply chain centers, suppliers, customers and other partners may be, or may continue to be, prevented from conducting business activities for an indefinite period of time, including due to shutdowns, travel restrictions, social distancing requirements, stay at home orders and advisories and other restrictions that have been or may be suggested or mandated by governmental authorities, or due to the impact of the disease itself on the business’ workforces. In addition, COVID-19 may impact the willingness of customers to purchase food prepared outside of the home. The COVID-19 pandemic may also have the effect of heightening many of the other risks described in the ‘‘Risk Factors’’ section of our 2019 Form 10-K, including but not limited to those relating to our growth strategy, our supply chain and increased food and labor costs, disruption in operations, loss of key employees, our indebtedness, general economic conditions and our international operations.

In response to governmental requirements, we and our franchisees have, among other measures, temporarily closed certain of our stores, modified certain stores’ hours and closed locations to in-store dining, and continue to monitor additional developments. We have also made additional operating changes to respond to changes in consumer behavior resulting from COVID-19, including offering contactless delivery and carryout options to our customers. While it is not possible at this time to estimate the full impact that COVID-19 could have on our business going forward, the continued spread of the virus and the measures taken by governments or by us in response have disrupted our operations and could disrupt our supply chain, including our access to face coverings and gloves for use in our operations, which could adversely impact our business, financial condition and results of operations. The COVID-19 pandemic and mitigation measures have also had an adverse impact on global economic conditions, which could have an adverse effect on our business and financial condition. The Company’s sales and operating results may be affected by uncertain or changing economic and market conditions arising in connection with and in response to the COVID-19 pandemic, including inflation, deflation, prolonged weak consumer demand, political instability or other changes. The significance of the operational and financial impact to the Company will depend on how long and widespread the disruptions caused by COVID-19, and the corresponding response to contain the virus and treat those affected by it, prove to be.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

c. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Period	Total Number 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 (in thousands)
Period #7 (June 15, 2020 to July 12, 2020)	1,040	$ 374.76	—	$ 326,552
Period #8 (July 13, 2020 to August 9, 2020)	1,548	394.08	—	326,552
Period #9 (August 10, 2020 to September 6, 2020)	1,540	410.67	—	326,552
Total	4,128	$ 395.40	—	$ 326,552

(1) 4,128 shares in the third quarter of 2020 were purchased as part of the Company's employee stock payroll deduction plan at an average price of $395.40.

(2) As of September 6, 2020, the Company had a Board of Directors-approved share repurchase program for up to $1.0 billion of our common stock, of which $326.6 million remained available for future purchases of our common stock. Authorization for the repurchase program may be modified, suspended, or discontinued at any time. The repurchase of shares in any particular period and the actual amount of such purchases remain at the discretion of the Board of Directors, and no assurance can be given that shares will be repurchased in the future.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
10.1	Employment Agreement dated as of August 3, 2020 between Domino's Pizza LLC and Stuart A. Levy.
31.1	Certification by Richard E. Allison, Jr. pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.
31.2	Certification by Stuart A. Levy pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.
32.1	Certification by Richard E. Allison, Jr. pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.
32.2	Certification by Stuart A. Levy pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.
101.INS	XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover page Interactive Data File (formatted as Inline XBRL and contained in exhibit 101).

SIGNATURES

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

DOMINO'S PIZZA, INC.
(Registrant)

Date: October 8, 2020

/s/ Stuart A. Levy

Stuart A. Levy
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

Exhibit 10.1

EXECUTION VERSION

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (this "Agreement") is made as of August 3, 2020 and will become effective as of 12:00 AM Midnight on August 20, 2020 (the "Effective Date"), by and between Domino's Pizza LLC, a Michigan limited liability company (the "Company"), on the one hand, and Stuart A. Levy (the "Executive"), on the other hand.

RECITALS

1. The Executive is currently employed by the Company as its Executive Vice President, Supply Chain Services pursuant to the terms of the Employment Agreement dated December 21, 2018.

2. Subject to the terms and conditions set forth in this Agreement, the Company wishes to employ the Executive in a new role as its Executive Vice President, Chief Financial Officer, and Executive wishes to accept such new role and terms of his employment.

AGREEMENT

NOW, THEREFORE, for valid consideration received, the parties agree as follows:

1. Employment. Subject to the terms and conditions set forth in this Agreement, the Company offers and the Executive accepts employment hereunder effective as of the Effective Date.

2. Term. This Agreement shall commence on the Effective Date and shall remain in effect for an indefinite time until terminated by either party as set forth in Section 5 hereof (the term of this Agreement, the "Term").

3. Capacity and Performance.

3.1 Offices. During the Term, the Executive shall serve the Company as its Executive Vice President, Chief Financial Officer. The Executive shall have such other powers, duties and responsibilities consistent with the Executive's position as Executive Vice President, Chief Financial Officer as may from time to time be prescribed by the Chief Executive Officer of the Company (the "CEO").

3.2 Performance. During the Term, the Executive shall be employed by the Company on a full-time basis and shall perform and discharge, faithfully, diligently and to the best of his/her ability, his/her duties and responsibilities hereunder. During the Term, the Executive shall devote his/her full business time exclusively to the advancement of the business and interests of the Company and its Affiliates and to the discharge of his/her duties and responsibilities hereunder. The Executive shall not engage in any other business activity or serve in any industry, trade, professional, governmental, political, charitable or academic position during the Term, except for such directorships or other positions which he/she currently holds and has disclosed to the CEO on Exhibit A hereof and except as otherwise may be approved in advance by the CEO.

4. Compensation and Benefits. During the Term, as compensation for all services performed by the Executive under this Agreement and subject to performance of the Executive's duties and obligations to the Company and its Affiliates, pursuant to this Agreement or otherwise, the Executive shall receive the following:

4.1 Base Salary. During the Term, the Company shall pay the Executive a base salary at the rate of Four Hundred and Seventy Five Thousand Dollars ($475,000) per year, payable in accordance with the payroll practices of the Company for its executives and subject to such increases as the Board of Directors of the Company or the Compensation Committee (the "Compensation Committee") of the Board of Directors of the Company (the "Board") in its sole discretion may determine from time to time (the "Base Salary").

4.2 Bonus Compensation. During the Term, the Executive shall participate in the Company's Senior Executive Annual Incentive Plan or such other annual bonus plan maintained by the Company for its executives, as it may be amended from time to time pursuant to the terms thereof (the "Plan") and shall be eligible for annual bonus awards thereunder (each annual bonus award, a "Bonus"). For purposes of the Plan, the Executive shall be eligible for a Bonus, and the Executive's specified percentage (the "Specified Percentage") for such Bonus shall initially be one hundred percent (100%) of Base Salary and shall thereafter be established annually by the Board of Directors (the "Board") or, if the Board delegates the Specified Percentage determination process to a Committee of the Board, by such Committee. In the event the Board or Committee does not approve the Executive's Specified Percentage within ninety (90) days of the beginning of a fiscal year, such Specified Percentage shall be the same as the immediately preceding year. Whenever any Bonus payable to the Executive is stated in this Agreement to be prorated for any period of service less than a full year, such Bonus shall be prorated by multiplying (x) the amount of the Bonus otherwise earned and payable for the applicable fiscal year in accordance with this Sub-Section 4.2 by (y) a fraction, the denominator of which shall be three hundred and sixty five (365) and the numerator of which shall be the number of days during the applicable fiscal year for which the Executive was employed by the Company as its Executive Vice President, Chief Financial Officer. The Executive agrees and understands that any prorated Bonus payments will be made only after determination of the achievement of the applicable Performance Measures (as defined in the Plan or other performance objectives associated with the Bonus) by the Board or the Compensation Committee in accordance with the terms of the Plan.

Any compensation paid to the Executive as a Bonus shall be in addition to the Base Salary.

4.3 Paid Time Off (PTO). During the Term, the Executive shall be entitled to four (4) weeks of vacation per calendar year, to be taken at such times and intervals as shall be determined by the Executive, subject to the reasonable business needs of the Company. The Executive may not accumulate or carry over from one (1) calendar year to another any unused, accrued vacation time. The Executive shall not be entitled to compensation for vacation time not taken. In addition, the Executive shall be entitled to five (5) days of emergency/medical PTO per calendar year.

4.4 Other Benefits. During the Term and subject to any contribution therefor required of executives of the Company generally, the Executive shall be entitled to participate in all employee benefit plans, including without limitation any 401(k) plan, from time to time adopted by the Board and in effect for executives of the Company generally (except to the extent such plans are in a category of benefit otherwise provided the Executive hereunder). Such participation shall be subject to (i) the terms of the applicable plan documents and (ii) generally applicable policies of the Company. The Company may alter, modify, add to or delete any aspects of its employee benefit plans at any time as the Board, in its sole judgment, determines to be appropriate. Additionally, the Executive shall receive a standard relocation package at the beginning of the Executive's employment for relocation of Executive to the Ann Arbor, Michigan area, in accordance with the Company's policies in relation to its executive officers.

4.5 Business Expenses. The Company shall pay or reimburse the Executive for all reasonable business expenses, including without limitation the cost of first class air travel and dues for industry-related association memberships, incurred or paid by the Executive in the performance of his/her duties and responsibilities hereunder, subject to (i) any expense policy of the Company set by the Board from time to time, including without limitation any portion thereof intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and other guidance thereunder ("Section 409A"), and (ii) such reasonable substantiation and documentation requirements as may be specified by the Board or the CEO from time to time.

4.6 Airline Clubs. Upon receiving the prior written approval of the CEO authorizing the Executive to join a particular airline club, the Company shall pay or reimburse the Executive for dues for not less than two (2) nor more than four (4) airline clubs, provided that such club memberships serve a direct business purpose and subject to such reasonable substantiation and documentation requirements as to cost and purpose as may be specified by the Company from time to time.

4.7 Physicals. During the Term, the Company shall annually pay for or reimburse the Executive for the cost of a physical examination and health evaluation performed by a licensed medical doctor, subject to such reasonable substantiation and documentation requirements as to cost as may be specified by the Board or the Company from time to time.

5. Termination of Employment and Severance Benefits. The Executive's employment hereunder shall continue until terminated under the circumstances described in this Section 5. All references herein to termination of employment, separation from service and similar or correlative terms, insofar as they are relevant to the payment of any benefit that could constitute nonqualified deferred compensation subject to Section 409A, shall be construed to require a "separation from service" within the meaning of Section 409A (after giving effect to the presumptions contained therein), and the Company and the Executive shall use reasonable efforts to take all steps necessary (including with regard to any post-termination services by the Executive) to ensure that any such termination constitutes a "separation from service" as so defined.

5.1 Retirement or Death. In the event of the Executive's retirement or death during the Term, the Executive's employment hereunder shall immediately and automatically terminate. In the event of the Executive's retirement after the age of 65 with the prior consent of the Board or death during the Term, the Company shall pay to the Executive (or in the case of death, the Executive's designated beneficiary (or, if no beneficiary has been designated by the Executive, to Executive's estate) within thirty (30) days following death (or at such earlier time as may be required by applicable law), any Base Salary earned but unpaid through the date of such retirement or death, and any Bonus for the fiscal year preceding the year in which such retirement or death occurs that was earned but has not yet been paid and, at the times the Company pays its executives bonuses in accordance with its general payroll policies, but no later than two and one half (2½) months following the fiscal year in which earned, an amount equal to that portion of any Bonus earned but unpaid during the fiscal year of such retirement or death (prorated in accordance with Section 4.2).

5.2 Disability.

5.2.1 The Company may terminate the Executive's employment hereunder, upon notice to the Executive, in the event that the Executive becomes disabled during his/her employment hereunder through any illness, injury, accident or condition of either a physical or psychological nature and, as a result, is unable to perform substantially all of his/her duties and responsibilities hereunder for an aggregate of one hundred twenty (120) days during any period of three hundred sixty-five (365) consecutive calendar days; provided, that if the Executive incurs a leave of absence due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, the Executive, unless he/she earlier returns to service (at a level of service inconsistent with a separation from service under Section 409A) or his/her employment is earlier terminated, shall in all events be deemed to have separated from service not later than by the end of the twenty- ninth (29th) month, commencing with the commencement of such leave of absence.

5.2.2 The Board may designate another employee to act in the Executive's place during any period of the Executive's disability. Notwithstanding any such designation, the Executive shall continue to receive the Base Salary in accordance with Section 4.1 and to receive benefits in accordance with Section 4.5, to the extent permitted by the then current terms of the applicable benefit plans and applicable law, until the Executive becomes disabled within the meaning of Section 409A or until the termination of his/her employment, whichever shall first occur. Upon becoming so disabled, or upon such termination, whichever shall first occur, the Company shall promptly and in all events within thirty (30) days (or at such earlier time as may be required by applicable law), pay to the Executive any Base Salary earned but unpaid through the date of such eligibility or termination and any Bonus for the fiscal year preceding the year of such eligibility or termination that was earned but unpaid. At the times the Company pays its executives bonuses generally, but no later than two and one half (2 ½) months after the end of the fiscal year in which the Bonus is earned, the Company shall pay the Executive an amount equal to that portion of any Bonus earned but unpaid during the fiscal year of such eligibility or termination (prorated in accordance with Section 4.2). During the eighteen (18)-month period from the date of such disability (as determined under Section 409A), the Company shall pay the Executive, at its regular pay periods, an amount equal to the difference between the Base Salary and the amounts of any disability income benefits that the Executive receives in respect of such period.

5.2.3 Except as provided in Section 5.2.2, while receiving disability income payments under any disability income plan maintained by the Company, the Executive shall not be entitled to receive any Base Salary under Section 4.1 or Bonus payments under Section 4.2 but shall continue to participate in benefit plans of the Company in accordance with Section 4.4 and the terms of such plans and applicable law, until the termination of his/her employment. During the eighteen (18)-month period from the date of disability (as determined under Section 409A) or termination, whichever shall first occur, the Company shall contribute to the cost of the Executive's participation in group medical plans of the Company, provided that the Executive is entitled to continue such participation under applicable law and plan terms.

5.2.4 If any question shall arise as to whether during any period the Executive is disabled through any illness, injury, accident or condition of either a physical or psychological nature so as to be unable to perform substantially all of his/her duties and responsibilities hereunder, or for purposes of Section 409A, the Executive may, and at the request of the Company shall, submit to a medical examination by a physician selected by the Company to whom the Executive or his/her duly appointed guardian, if any, has no reasonable objection, to determine whether the Executive is so disabled and such determination shall for the purposes of this Agreement be conclusive of the issue. If such question shall arise and the Executive shall fail to submit to such medical examination, the Board's determination of the issue shall be binding on the Executive.

5.3 By the Company for Cause. The Company may terminate the Executive's employment hereunder for Cause at any time upon notice to the Executive setting forth in reasonable detail the nature of such Cause. The following events or conditions shall constitute "Cause" for termination: (i) the Executive's willful failure to perform (other than by reason of disability), or gross negligence in the performance of his/her duties to the Company or any of its Affiliates and the continuation of such failure or negligence for a period of ten (10) days after notice to the Executive; (ii) the Executive's willful failure to perform (other than by reason of disability) any lawful and reasonable directive of the CEO; (iii) the commission of fraud, embezzlement or theft by the Executive with respect to the Company or any of its Affiliates; or (iv) the conviction of the Executive of, or plea by the Executive of *nolo contendere* to, any felony or any other crime involving dishonesty or moral turpitude. Anything to the contrary in this Agreement notwithstanding, upon the giving of notice of termination of the Executive's employment hereunder for Cause, the Company and its Affiliates shall have no further obligation or liability to the Executive hereunder, other than for Base Salary earned but unpaid through the date of termination. Without limiting the generality of the foregoing, the Executive shall not be entitled to receive any Bonus amounts which have not been paid prior to the date of termination.

5.4 By the Company Other Than for Cause. The Company may terminate the Executive's employment hereunder other than for Cause at any time upon notice to the Executive. In the event of such termination, the Company shall pay the Executive: (i) promptly following termination and in all events within thirty (30) days thereof (or at such earlier time as may be required by applicable law), any Base Salary earned but unpaid through the date of termination, plus (ii) severance payments for a period to end twelve (12) months after the termination date (the "Severance Term"), of which (a) the first severance payment shall be made on the date that is six (6) months from the date of termination and in an amount equal to six (6) times the Executive's monthly base compensation in effect at the time of such termination and (b) the balance of the severance shall be paid in accordance with the Company's then current payroll practices (currently biweekly payments) over the next six (6) months through the date that is twelve (12) months from the date of termination, each such payment in an amount equal to the Base Salary in effect at the time of such termination dependent on payroll practices of the Company (i.e., 1/12th of the Base Salary, 1/24th of the Base Salary, 1/26th of Base Salary, etc.), plus (iii) promptly following termination and in all events within thirty (30) days thereof, any unpaid portion of any Bonus for the fiscal year preceding the year in which such termination occurs that was earned but has not been paid, plus (iv) at the times the Company pays its executives bonuses generally, but no later than two and one half (2 ½) months after the end of the fiscal year in which the Bonus is earned, an amount equal to that portion of any Bonus earned but unpaid during the fiscal year of such termination (prorated in accordance with Section 4.2), plus (v) vested, outstanding equity grants under the Stock Plan, in accordance with the terms thereof and any applicable award agreements.

5.5 By the Executive for Good Reason. The Executive may terminate his/her employment hereunder for Good Reason, provided that (a) the Executive provides written notice to the Company, setting forth in reasonable detail the nature of the condition giving rise to Good Reason, within ninety (90) days after the initial existence of such condition, (b) the condition remains uncured by the Company for a period of thirty (30) days following such notice and (c) the Executive terminates his/her employment, if at all, not later than thirty (30) days after the expiration of such cure period. The following shall constitute "Good Reason" for termination by the Executive: (i) any material diminution in the nature and scope of the Executive's responsibilities, duties, authority or title or a change to his reporting structure so that he is no longer reporting to the Company's chief executive; (ii) material failure of the Company to provide the Executive the Base Salary and benefits in accordance with the terms of Section 4 hereof; or (iii) relocation of the Executive's office to a location outside a fifty (50)-mile radius of the Company's current headquarters in Ann Arbor, Michigan. In the event of termination in accordance with this Section 5.5, then the Company shall pay the Executive the amounts specified in Section 5.4.

5.6 By the Executive Other Than for Good Reason. The Executive may terminate employment hereunder at any time upon ninety (90) days' written notice to the Company. In the event of termination of the Executive's employment pursuant to this Section 5.6, the CEO or the Board may elect to waive the period of notice or any portion thereof. The Company will pay the Executive the Base Salary for the notice period, except to the extent that the notice period is waived by the Board. Upon the giving of notice of termination of the Executive's employment hereunder pursuant to this Section 5.6, the Company and its Affiliates shall have no further obligation or liability to the Executive, other than (i) payment to the Executive of the Base Salary for the period (or portion of such period) indicated above, (ii) continuation of the provision of the benefits set forth in Section 4.4 for the period (or portion of such period) indicated above, and (iii) any unpaid portion of any Bonus for the fiscal year preceding the year in which such termination occurs that was earned but has not been paid. The payments made under subsections (i) and (iii) hereof shall be made promptly following termination and in all events within thirty (30) days thereof (or at such earlier time as may be required by applicable law).

5.7 Post-Agreement Employment. In the event the Executive remains in the employ of the Company or any of its Affiliates following termination of this Agreement, then such employment shall be at will.

5.8 Delayed Payments for Specified Employees. Notwithstanding the foregoing provisions of this Section 5, if the Executive is a "specified employee" as defined in Section 409A, determined in accordance with the methodology established by the Company as in effect on the Executive's termination, amounts payable hereunder on account of the Executive's termination that would constitute nonqualified deferred compensation for purposes of Section 409A and that would, but for this Section 5.8, be payable within the six (6) month period commencing with the Executive's termination shall instead be accumulated and paid, with interest at the applicable federal rate determined under Code Section 7872(f)(2)(A), in a lump sum at the conclusion of such six (6)-month period.

6. Effect of Termination of Employment. The provisions of this Section 6 shall apply in the event of any termination of the Executive's employment pursuant to Section 5 of this Agreement.

6.1 Payment in Full. Payment by the Company or its Affiliates of any Base Salary, Bonus or other specified amounts that are due to the Executive under the applicable termination provision of Section 5 shall constitute the entire obligation of the Company and its Affiliates to the Executive, except that nothing in this Section

6.1 is intended or shall be construed to affect the rights and obligations of the Company or its Affiliates, on the one hand, and the Executive, on the other, with respect to the Stock Plan or any other equity plan or award agreements thereunder or any other agreements to the extent said rights or obligations therein survive termination of employment.

6.2 Termination of Benefits. If the Executive's employment is terminated by the Company without Cause, or if the Executive terminates employment with the Company for Good Reason, and provided that Executive elects continuation of health coverage pursuant to Section 601 through 608 of the Employee Retirement Income Security Act of 1974, as amended ("COBRA"), the Company shall pay the Executive or pay directly to the COBRA administrator, at the election of the Company, an amount equal to the monthly COBRA premiums for the Severance Term; provided, however, that such payments will cease upon the Executive's entitlement to other health insurance without charge. Except for medical insurance coverage continued pursuant to Section 6.2 hereof, all other benefits shall terminate pursuant to the terms of the applicable benefit plans based on the date of termination of the Executive's employment without regard to any continuation of Base Salary or other payments to the Executive following termination of employment. Notwithstanding the foregoing, in the event that the Company's payment or reimbursement under this Section 6.2 would subject the Executive or the Company to any tax or penalty under the Patient Protection and Affordable Care Act (as amended from time to time, the "ACA") or Section 105(h) of the Internal Revenue Code of 1986, as amended ("Section 105(h)"), or applicable regulations or guidance issued under the ACA or Section 105(h), the Executive and the Company agree to work together in good faith, consistent with the requirements for compliance with or exemption from Section 409A, to restructure such benefit.

6.3 Survival of Certain Provisions; Release of Claims. Provisions of this Agreement shall survive any termination of employment if so provided herein or if necessary or desirable fully to accomplish the purpose of other surviving provisions, including, without limitation, the obligations of the Executive under Sections 7 and 8 hereof. The obligation of the Company to make payments to or on behalf of the Executive under Section 5.2, 5.4, 5.5 or 6.2 hereof (other than any Base Salary that is earned but unpaid through the date of termination) is expressly conditioned upon

(a) the Executive's continued full performance of his/her obligations under Sections 7 and 8 hereof and (b) the Executive's execution of a timely and effective general release of claims in a form provided by the Company at the time of termination, which general release of claims must become effective, if at all, within sixty (60) days following termination of the Executive's employment. The Executive recognizes that, except as expressly provided in Section 5.2, 5.4, 5.5 or 6.2, no compensation or benefits are earned after termination of employment.

7. Confidential Information; Intellectual Property.

7.1 Confidentiality. The Executive acknowledges that the Company and its Affiliates continually develop Confidential Information (as that term is defined in Section 11.2, below); that the Executive has developed and will continue to develop Confidential Information for the Company and its Affiliates and that the Executive has learned and will continue to learn of Confidential Information during the course of his/her employment. The Executive will comply with the policies and procedures of the Company and its Affiliates for protecting Confidential Information and shall never use or disclose to any Person (except as required by applicable law or for the proper performance of his/her duties and responsibilities to the Company) any Confidential Information obtained by the Executive incident to his/her employment or other association with the Company or any of its Affiliates. The Executive understands that this restriction shall continue to apply after employment terminates, regardless of the reason for such termination. For the avoidance of doubt, (a) nothing contained in this Agreement limits, restricts or in any other way affects the Executive's communicating with any governmental agency or entity, or communicating with any official or staff person of a governmental agency or entity, concerning matters relevant to such governmental agency or entity and (b) the Executive will not be held criminally or civilly liable under any federal or state trade secret law for disclosing a trade secret (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, or (ii) in a complaint or other document filed under seal in a lawsuit or other proceeding; provided, however, that notwithstanding this immunity from liability, the Executive may be held liable if he/she unlawfully accesses trade secrets by unauthorized means.

7.2 Return of Documents. All documents, records, tapes and other media of every kind and description relating to the business, present or otherwise, of the Company or any of its Affiliates and any copies, in whole or in part, thereof (the "Documents"), whether or not prepared by the Executive, shall be the sole and exclusive property of the Company and its Affiliates. The Executive shall safeguard all Documents and shall surrender to the Company and its Affiliates at the time employment terminates, or at such earlier time or times as the Board, the CEO or the Board's other designee may specify, all Documents then in the Executive's possession or control.

7.3 Assignment of Rights to Intellectual Property. The Executive shall promptly and fully disclose all Intellectual Property to the Company. The Executive hereby assigns and agrees to assign to the Company (or as otherwise directed by the Company) the Executive's full right, title and interest in and to all Intellectual Property. The Executive shall execute any and all applications for domestic and foreign patents, copyrights or other proprietary rights and to do such other acts (including without limitation the execution and delivery of instruments of further assurance or confirmation) requested by the Company or its Affiliates to assign the Intellectual Property to the Company (or as otherwise directed by the Company) and to permit the Company and its Affiliates to enforce any patents, copyrights or other proprietary rights to the Intellectual Property. The Executive will not charge the Company or any of its Affiliates for time spent in complying with these obligations. All copyrightable works that the Executive creates during his/her employment with the Company shall be considered "work made for hire" and will, upon creation, be owned exclusively by the Company.

8. Restricted Activities.

8.1 Agreement Not to Compete With the Company. During the Executive's employment hereunder and for a period of twenty four (24) months following the date of termination thereof (the "Non-Competition Period"), the Executive will not, directly or indirectly, own, manage, operate, control or participate in any manner in the ownership, management, operation or control of, or be connected as an officer, employee, partner, director, principal, member, manager, consultant, agent or otherwise with, or have any financial interest in, or aid or assist anyone else in the conduct of, any business, venture or activity which in any material respect competes with the following enumerated business activities to the extent then being conducted or being planned to be conducted by the Company or its Affiliates or being conducted or known by the Executive to being planned to be conducted by the Company or by any of its Affiliates, at or prior to the date on which the Executive's employment under this Agreement is terminated (the "Date of Termination"), in the United States or any other geographic area where such business is being conducted or being planned to be conducted at or prior to the Date of Termination (a "Competitive Business", defined below). For purposes of this Agreement, "Competitive Business" shall be defined as: (i) any company or other entity engaged as a "quick service restaurant" ("QSR") which offers pizza for sale; (ii) any "quick service restaurant" which is then contemplating entering into the pizza business or adding pizza to its menu; (iii) any entity which at the time of Executive's termination of employment with the Company, offers, as a primary product or service, products or services then being offered by the Company or which the Company is actively contemplating offering, provided, however, that the prohibition set forth in this Subsection (iii) shall not apply to fine or casual dining restaurants with less than five percent (5%) of revenue attributable to delivery of food; and (iv) any entity under common control with an entity included in (i), (ii) or (iii), above. Notwithstanding the foregoing, ownership of not more than five percent (5%) of any class of equity security of any publicly traded corporation shall not, of itself, constitute a violation of this Section 8.1.

8.2 Agreement Not to Solicit Employees or Customers of the Company. During employment and during the Non-Competition Period the Executive will not, directly or indirectly, (i) recruit or hire or otherwise seek to induce any employees of the Company or any of the Company's Affiliates to terminate his/her employment or violate any agreement with or duty to the Company or any of the Company's Affiliates; or (ii) solicit or encourage any franchisee or vendor of the Company or of any of the Company's Affiliates to terminate or diminish its relationship with any of them or to violate any agreement with any of them, or, in the case of a franchisee, to conduct with any Person any business or activity that such franchisee conducts or could conduct with the Company or any of the Company's Affiliates.

8.3 Agreement Not to Disparage. The Executive agrees that, during employment and at all times thereafter, he/she will not disparage or criticize the Company, its Affiliates, their business, their management or their products or services, and he/she will not otherwise do or say anything that could disrupt the good morale of employees of the Company or any of its Affiliates or harm the interests or reputation of the Company or any of its Affiliates, but may provide truthful, non-Confidential Information in response to any statement made by the Executive Leadership of the Company with respect to the Executive that he reasonably believes to be disparaging.

9. Enforcement of Covenants. The Executive acknowledges that he/she has carefully read and considered all the terms and conditions of this Agreement, including without limitation the restraints imposed upon his/her pursuant to Sections 7 and 8 hereof. The Executive agrees that said restraints are necessary for the reasonable and proper protection of the Company and its Affiliates and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. The Executive further acknowledges that, were he/she to breach any of the covenants or agreements contained in Sections 7 or 8 hereof, the damage to the Company and its Affiliates could be irreparable. The Executive, therefore, agrees that the Company and its Affiliates, in addition to any other remedies available to it, shall be entitled to preliminary and permanent injunctive relief against any breach or threatened breach by the Executive of any of said covenants or agreements, without having to post bond. The parties further agree that in the event that any provision of Section 7 or 8 hereof shall be determined by any court of competent jurisdiction to be unenforceable by reason of it being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

10. Conflicting Agreements. The Executive hereby represents and warrants that the execution of this Agreement and the performance of his/her obligations hereunder will not breach or be in conflict with any other agreement to which or by which the Executive is a party or is bound and that the Executive is not now subject to any covenants against competition or solicitation or similar covenants or other obligations that would affect the performance of his/her obligations hereunder. The Executive will not disclose to or use on behalf of the Company or any of its Affiliates any proprietary information of a third party without such party's consent.

11. Definitions. Words or phrases which are initially capitalized or are within quotation marks shall have the meanings provided in this Section 11 or as specifically defined elsewhere in this Agreement. For purposes of this Agreement, the following definitions apply:

11.1 Affiliates. "Affiliates" shall mean Domino's Pizza, Inc., Domino's, Inc. and all other persons and entities controlling, controlled by or under common control with the Company, where control may be by management authority or equity interest.

11.2 Confidential Information. "Confidential Information" means any and all information of the Company and its Affiliates that is not generally known by the public. Confidential Information includes without limitation such information relating to (i) the products and services sold or offered by the Company or any of its Affiliates (including without limitation recipes, production processes and heating technology), (ii) the costs, sources of supply, financial performance and strategic plans of the Company and its Affiliates, (iii) the identity of the suppliers of the Company and its Affiliates, and (iv) the people and organizations with whom the Company or any of its Affiliates have business relationships and those relationships.

Confidential Information also includes information that the Company or any of its Affiliates have received belonging to others with any understanding, express or implied, that it would not be disclosed.

11.3 ERISA. "ERISA" means the federal Employee Retirement Income Security Act of 1974, as amended, or any successor statute, and the rules and regulations thereunder, and, in the case of any referenced section thereof, any successor section thereto, collectively and as from time to time amended and in effect.

11.4 Intellectual Property. "Intellectual Property" means inventions, discoveries, developments, methods, processes, compositions, works, concepts, recipes and ideas (whether or not patentable or copyrightable or constituting trade secrets or trademarks or service marks) conceived, made, created, developed or reduced to practice by the Executive (whether alone or with others, whether or not during normal business hours or on or off Company premises) during the Executive's employment that relate to either the business activities or any prospective activity of the Company or any of its Affiliates or that result from any work performed by the Executive for the Company or any of its Affiliates or that make use of Confidential Information or any of the equipment or facilities of the Company or any of its Affiliates.

11.5 Person. "Person" means an individual, a corporation, an association, a partnership, a limited liability company, an estate, a trust and any other entity or organization, other than the Company or any of its Affiliates.

12. Withholding/Other Tax Matters. All payments made by the Company under this Agreement shall be reduced by any tax or other amounts required to be withheld by the Company under applicable law. This Agreement shall be construed consistent with the intent that all payment and benefits hereunder comply with the requirements of, or the requirements for exemption from, Section 409A. Notwithstanding the foregoing, the Company shall not be liable to the Executive for any failure to comply with any such requirements.

13. Miscellaneous.

13.1 Assignment. Neither the Company nor the Executive may assign this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other; provided, however, that the Company may assign its rights and obligations under this Agreement without the consent of the Executive in the event that the Company shall hereafter affect a reorganization, consolidate with, or merge into, any other Person or transfer all or substantially all of its properties or assets to any other Person, in which event such other Person shall be deemed the "Company" hereunder, as applicable, for all purposes of this Agreement; provided, further, that nothing contained herein shall be construed to place any limitation or restriction on the transfer of the Company's common stock in addition to any restrictions set forth in any stockholder agreement applicable to the holders of such shares. This Agreement shall inure to the benefit of and be binding upon the Company and the Executive, and their respective successors, executors, administrators, representatives, heirs and permitted assigns.

13.2 Severability. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the application of such provision in such circumstances shall be deemed modified to permit its enforcement to the maximum extent permitted by law, and both the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable and the remainder of this Agreement shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

13.3 Waiver; Amendment. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of either party to require the performance of any term or obligation of this Agreement, or the waiver by either party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach. This Agreement may be amended or modified only by a written instrument signed by the Executive and any expressly authorized representative of the Company.

13.4 Notices. Any and all notices, requests, demands and other communications provided for by this Agreement shall be in writing and shall be effective when delivered in person or deposited in the United States mail, postage prepaid, registered or certified, and addressed (i) in the case of the Executive, to: Stuart A. Levy, at his most recent address on file with the Company, and (ii) in the case of the Company, to the attention of CEO, at 30 Frank Lloyd Wright Drive, Ann Arbor, Michigan 48106, or to such other address as either party may specify by notice to the other actually received.

13.5 Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes any and all prior communications, agreements and understandings, written or oral, between the Executive and the Company, or any of its predecessors, with respect to the terms and conditions of the Executive's employment.

13.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

13.7 Governing Law. This Agreement shall be governed by and construed in accordance with the domestic substantive laws of the State of Michigan without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

13.8 Consent to Jurisdiction. Each of the Company and the Executive evidenced by the execution hereof, (i) hereby irrevocably submits to the jurisdiction of the state courts of the State of Michigan for the purpose of any claim or action arising out of or based upon this Agreement or relating to the subject matter hereof and (ii) hereby waives, to the extent not prohibited by applicable law, and agrees not to assert by way of motion, as a defense or otherwise, in any such claim or action, any claim that it or he/she is not subject personally to the jurisdiction of the above-named courts, that its or his/her property is exempt or immune from attachment or execution, that any such proceeding brought in the above-named courts is improper, or that this Agreement or the subject matter hereof may not be enforced in or by such court. Each of the Company and the Executive hereby consents to service of process in any such proceeding in any manner permitted by Michigan law, and agrees that service of process by registered or certified mail, return receipt requested, at its address specified pursuant to Section 13.4 hereof is reasonably calculated to give actual notice.

[Signature page immediately follows.]

IN WITNESS WHEREOF, this Agreement has been executed by the Company, by its duly authorized representative, and by the Executive, as of the date first above written.

THE COMPANY:	**DOMINO'S PIZZA LLC**
Date: August 3, 2020	By: /s/ Richard Allison Name: Richard Allison Title: Chief Executive Officer
THE EXECUTIVE:	
Date: August 3, 2020	/s/ Stuart A. Levy Name: Stuart A. Levy

EXHIBIT A

(None, unless additional information is set forth below.)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER, DOMINO’S PIZZA, INC.

I, Richard E. Allison, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Domino’s Pizza, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

October 8, 2020	/s/ Richard E. Allison, Jr.
Date	Richard E. Allison, Jr. Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER, DOMINO'S PIZZA, INC.

I, Stuart A. Levy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Domino's Pizza, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 8, 2020	/s/ Stuart A. Levy
Date	Stuart A. Levy Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Domino’s Pizza, Inc. (the “Company”) on Form 10-Q for the period ended September 6, 2020, as filed with the Securities and Exchange Commission (the “Report”), I, Richard E. Allison, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard E. Allison, Jr.
Richard E. Allison, Jr.
Chief Executive Officer

Dated: October 8, 2020

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Domino’s Pizza, Inc. and will be retained by Domino’s Pizza, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Domino’s Pizza, Inc. (the “Company”) on Form 10-Q for the period ended September 6, 2020, as filed with the Securities and Exchange Commission (the “Report”), I, Stuart A. Levy, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stuart A. Levy
Stuart A. Levy
Chief Financial Officer

Dated: October 8, 2020

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Domino’s Pizza, Inc. and will be retained by Domino’s Pizza, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.