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 11, 2022

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 6, 2022, Domino's Pizza, Inc. had 35,399,379 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 11, 2022	January 2, 2022 (1)
Assets		
Current assets:		
Cash and cash equivalents	$ 114,776	$ 148,160
Restricted cash and cash equivalents	184,564	180,579
Accounts receivable, net	242,775	255,327
Inventories	72,586	68,328
Prepaid expenses and other	30,497	27,242
Advertising fund assets, restricted	181,200	180,904
Total current assets	826,398	860,540
Property, plant and equipment:		
Land and buildings	106,907	108,372
Leasehold and other improvements	197,462	193,572
Equipment	329,687	312,772
Construction in progress	26,874	27,815
	660,930	642,531
Accumulated depreciation and amortization	(349,643)	(318,466)
Property, plant and equipment, net	311,287	324,065
Other assets:		
Operating lease right-of-use assets	217,739	210,702
Goodwill	16,153	15,034
Capitalized software, net	105,541	95,558
Investments	125,840	125,840
Other assets	41,260	37,968
Deferred income taxes	2,191	2,109
Total other assets	508,724	487,211
Total assets	$ 1,646,409	$ 1,671,816
Liabilities and stockholders' deficit		
Current liabilities:		
Current portion of long-term debt	$ 55,787	$ 55,588
Accounts payable	91,299	91,547
Operating lease liabilities	40,823	37,155
Insurance reserves	32,971	32,588
Dividends payable	39,632	918
Advertising fund liabilities	173,345	173,737
Other accrued liabilities	144,880	199,208
Total current liabilities	578,737	590,741
Long-term liabilities:		
Long-term debt, less current portion	5,097,292	5,014,638
Operating lease liabilities	190,248	184,471
Insurance reserves	38,145	36,913
Other accrued liabilities	49,455	50,667
Deferred income taxes	9,077	3,922
Total long-term liabilities	5,384,217	5,290,611
Stockholders' deficit:		
Common stock	354	361
Additional paid-in capital	587	840
Retained deficit	(4,313,643)	(4,207,917)
Accumulated other comprehensive loss	(3,843)	(2,820)
Total stockholders' deficit	(4,316,545)	(4,209,536)
Total liabilities and stockholders' deficit	$ 1,646,409	$ 1,671,816

(1) The condensed consolidated balance sheet at January 2, 2022 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 financial statements.

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

(In thousands, except per share data)	Fiscal Quarter Ended September 11, 2022	Fiscal Quarter Ended September 12, 2021	Three Fiscal Quarters Ended September 11, 2022	Three Fiscal Quarters Ended September 12, 2021
Revenues:				
U.S. Company-owned stores	$ 112,388	$ 108,416	$ 328,785	$ 337,749
U.S. franchise royalties and fees	128,878	121,624	379,261	372,946
Supply chain	646,082	588,819	1,902,215	1,760,119
International franchise royalties and fees	67,055	70,553	202,803	207,068
U.S. franchise advertising	114,193	108,578	331,863	336,278
Total revenues	1,068,596	997,990	3,144,927	3,014,160
Cost of sales:				
U.S. Company-owned stores	98,589	86,932	280,029	260,693
Supply chain	588,157	525,858	1,728,159	1,571,426
Total cost of sales	686,746	612,790	2,008,188	1,832,119
Gross margin	381,850	385,200	1,136,739	1,182,041
General and administrative	91,205	96,342	285,769	288,043
U.S. franchise advertising	114,193	108,578	331,863	336,278
Income from operations	176,452	180,280	519,107	557,720
Other income	—	—	—	2,500
Interest income	833	48	1,101	138
Interest expense	(45,437)	(45,523)	(137,160)	(130,822)
Income before provision for income taxes	131,848	134,805	383,048	429,536
Provision for income taxes	31,344	14,403	89,087	74,754
Net income	$ 100,504	$ 120,402	$ 293,961	$ 354,782
Earnings per share:				
Common stock - basic	$ 2.82	$ 3.29	$ 8.20	$ 9.43
Common stock - diluted	2.79	3.24	8.11	9.30

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

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

(In thousands)	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 11, 2022	September 12, 2021	September 11, 2022	September 12, 2021
Net income	$ 100,504	$ 120,402	$ 293,961	$ 354,782
Currency translation adjustment	47	(404)	(1,023)	12
Comprehensive income	$ 100,551	$ 119,998	$ 292,938	$ 354,794

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

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

(In thousands)	Three Fiscal Quarters Ended September 11, 2022	Three Fiscal Quarters Ended September 12, 2021
Cash flows from operating activities:		
Net income	$ 293,961	$ 354,782
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	56,026	50,219
Loss on sale/disposal of assets	475	493
Amortization of debt issuance costs	3,937	5,770
Provision for deferred income taxes	5,912	4,831
Non-cash equity-based compensation expense	21,590	19,453
Excess tax benefits from equity-based compensation	(907)	(18,258)
Provision for losses on accounts and notes receivable	2,870	532
Unrealized gain on investments	—	(2,500)
Changes in operating assets and liabilities	(49,288)	20,212
Changes in advertising fund assets and liabilities, restricted	(4,422)	49,067
Net cash provided by operating activities	330,154	484,601
Cash flows from investing activities:		
Capital expenditures	(50,508)	(50,652)
Purchase of investments	—	(40,000)
Purchase of franchise operations and other assets	(6,814)	—
Other	(1,375)	306
Net cash used in investing activities	(58,697)	(90,346)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	120,000	1,850,000
Repayments of long-term debt and finance lease obligations	(41,441)	(896,193)
Proceeds from exercise of stock options	1,296	15,948
Purchases of common stock	(293,739)	(1,104,687)
Tax payments for restricted stock upon vesting	(10,691)	(6,817)
Payments of common stock dividends and equivalents	(79,689)	(71,218)
Cash paid for financing costs	—	(14,938)
Other	—	(244)
Net cash used in financing activities	(304,264)	(228,149)
Effect of exchange rate changes on cash	(611)	58
Change in cash and cash equivalents, restricted cash and cash equivalents	(33,418)	166,164
Cash and cash equivalents, beginning of period	148,160	168,821
Restricted cash and cash equivalents, beginning of period	180,579	217,453
Cash and cash equivalents included in advertising fund assets, restricted, beginning of period	161,741	115,872
Cash and cash equivalents, restricted cash and cash equivalents and cash and cash equivalents included in advertising fund assets, restricted, beginning of period	490,480	502,146
Cash and cash equivalents, end of period	114,776	295,352
Restricted cash and cash equivalents, end of period	184,564	206,274
Cash and cash equivalents included in advertising fund assets, restricted, end of period	157,722	166,684
Cash and cash equivalents, restricted cash and cash equivalents and cash and cash equivalents included in advertising fund assets, restricted, end of period	$ 457,062	$ 668,310

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

(Unaudited; tabular amounts in thousands, except percentages, share and per share amounts)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and 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 January 2, 2022 included in the Company’s 2021 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 1, 2022 (the “2021 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 and three fiscal quarters ended September 11, 2022 are not necessarily indicative of the results that may be expected for the fiscal year ending January 1, 2023.

2. Segment Information

The following tables summarize revenues 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. Intersegment revenues are comprised of sales of food, equipment and supplies from the supply chain segment to the Company-owned stores in the U.S. stores segment. Intersegment sales prices are market based. The “Other” column as it relates to Segment Income below primarily includes corporate administrative costs that are not allocable to a reportable segment, including labor, computer expenses, professional fees, travel and entertainment, rent, insurance and other corporate administrative costs.

	Fiscal Quarters Ended September 11, 2022 and September 12, 2021					
	U.S. Stores	Supply Chain	International Franchise	Intersegment Revenues	Other	Total
Revenues						
2022	$ 355,459	$ 683,267	$ 67,055	$ (37,185)	$ —	$ 1,068,596
2021	338,618	619,840	70,553	(31,021)	—	997,990
Segment Income						
2022	$ 100,529	$ 49,892	$ 53,762	N/A	$ (2,919)	$ 201,264
2021	101,968	53,579	57,311	N/A	(10,010)	202,848

	Three Fiscal Quarters Ended September 11, 2022 and September 12, 2021					
	U.S. Stores	Supply Chain	International Franchise	Intersegment Revenues	Other	Total
Revenues						
2022	$ 1,039,909	$ 2,008,526	$ 202,803	$ (106,311)	$ —	$ 3,144,927
2021	1,046,973	1,854,609	207,068	(94,490)	—	3,014,160
Segment Income						
2022	$ 301,876	$ 149,874	$ 161,698	N/A	$ (16,250)	$ 597,198
2021	321,252	164,723	168,145	N/A	(25,726)	628,394

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

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 11, 2022	September 12, 2021	September 11, 2022	September 12, 2021
Total Segment Income	$ 201,264	$ 202,848	$ 597,198	$ 628,394
Depreciation and amortization	(18,933)	(16,578)	(56,026)	(50,219)
Loss on sale/disposal of assets	(27)	(37)	(475)	(493)
Non-cash equity-based compensation expense	(5,852)	(5,953)	(21,590)	(19,453)
Recapitalization-related expenses	—	—	—	(509)
Income from operations	176,452	180,280	519,107	557,720
Other income	—	—	—	2,500
Interest income	833	48	1,101	138
Interest expense	(45,437)	(45,523)	(137,160)	(130,822)
Income before provision for income taxes	$ 131,848	$ 134,805	$ 383,048	$ 429,536

3. Earnings Per Share

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 11, 2022	September 12, 2021	September 11, 2022	September 12, 2021
Net income available to common stockholders - basic and diluted	$ 100,504	$ 120,402	$ 293,961	$ 354,782
Basic weighted average number of shares	35,692,744	36,627,660	35,869,581	37,639,418
Earnings per share – basic	$ 2.82	$ 3.29	$ 8.20	$ 9.43
Diluted weighted average number of shares	36,062,316	37,130,209	36,265,918	38,144,509
Earnings per share – diluted	$ 2.79	$ 3.24	$ 8.11	$ 9.30

The denominators used in calculating diluted earnings per share for common stock for the fiscal quarters and three fiscal quarters each ended September 11, 2022 and September 12, 2021 do not include the following because the effect of including these shares would be anti-dilutive or because the performance condition for these awards had not yet been met:

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 11, 2022	September 12, 2021	September 11, 2022	September 12, 2021
Anti-dilutive shares underlying stock-based awards				
Stock options	116,641	625	117,328	80,103
Restricted stock awards and units	1,561	—	1,285	5,641
Performance condition not met				
Restricted stock awards and units	41,800	62,131	41,800	62,131

4. Stockholders' Deficit

The following table summarizes the changes in stockholders' deficit for the third quarter of 2022:

	Common Stock		Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss
	Shares	Amount			
Balance at June 19, 2022	35,899,646	$ 359	$ 3,589	$ (4,180,367)	$ (3,890)
Net income	—	—	—	100,504	—
Dividends declared on common stock and equivalents ($1.10 per share)	—	—	—	(39,035)	—
Issuance and cancellation of stock awards, net	1,569	—	—	—	—
Tax payments for restricted stock upon vesting	(20,787)	—	(7,925)	(371)	—
Purchases of common stock	(490,789)	(5)	(1,699)	(194,374)	—
Exercise of stock options	8,573	—	770	—	—
Non-cash equity-based compensation expense	—	—	5,852	—	—
Currency translation adjustment	—	—	—	—	47
Balance at September 11, 2022	35,398,212	$ 354	$ 587	$ (4,313,643)	$ (3,843)

The following table summarizes the changes in stockholders' deficit for the three fiscal quarters of 2022:

	Common Stock		Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss
	Shares	Amount			
Balance at January 2, 2022	36,138,273	$ 361	$ 840	$ (4,207,917)	$ (2,820)
Net income	—	—	—	293,961	—
Dividends declared on common stock and equivalents ($3.30 per share)	—	—	—	(118,403)	—
Issuance and cancellation of stock awards, net	15,775	—	—	—	—
Tax payments for restricted stock upon vesting	(26,612)	—	(10,320)	(371)	—
Purchases of common stock	(739,847)	(7)	(12,819)	(280,913)	—
Exercise of stock options	10,623	—	1,296	—	—
Non-cash equity-based compensation expense	—	—	21,590	—	—
Currency translation adjustment	—	—	—	—	(1,023)
Balance at September 11, 2022	35,398,212	$ 354	$ 587	$ (4,313,643)	$ (3,843)

Subsequent to the end of the third quarter of 2022, on October 11, 2022, the Company's Board of Directors declared a $1.10 per share quarterly dividend on its outstanding common stock for shareholders of record as of December 15, 2022 to be paid on December 30, 2022.

The following table summarizes the changes in stockholders' deficit for the third quarter of 2021:

	Common Stock		Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss
	Shares	Amount			
Balance at June 20, 2021	36,853,571	$ 369	$ 7,771	$ (4,146,702)	$ (2,008)
Net income	—	—	—	120,402	—
Dividends declared on common stock and equivalents ($0.94 per share)	—	—	—	(34,400)	—
Issuance and cancellation of stock awards, net	938	—	—	—	—
Tax payments for restricted stock upon vesting	(11,918)	—	(5,730)	—	—
Purchases of common stock	(391,007)	(4)	(14,801)	(64,882)	—
Exercise of stock options	113,903	1	6,922	—	—
Non-cash equity-based compensation expense	—	—	5,953	—	—
Currency translation adjustment	—	—	—	—	(404)
Balance at September 12, 2021	36,565,487	$ 366	$ 115	$ (4,125,582)	$ (2,412)

The following table summarizes the changes in stockholders' deficit for the three fiscal quarters of 2021:

	Common Stock		Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss
	Shares	Amount			
Balance at January 3, 2021	38,868,350	$ 389	$ 5,122	$ (3,303,492)	$ (2,424)
Net income	—	—	—	354,782	—
Dividends declared on common stock and equivalents ($2.82 per share)	—	—	—	(105,555)	—
Issuance and cancellation of stock awards, net	(980)	—	—	—	—
Tax payments for restricted stock upon vesting	(14,819)	—	(6,817)	—	—
Purchases of common stock	(2,469,473)	(25)	(33,345)	(1,071,317)	—
Exercise of stock options	182,409	2	15,946	—	—
Non-cash equity-based compensation expense	—	—	19,453	—	—
Other	—	—	(244)	—	—
Currency translation adjustment	—	—	—	—	12
Balance at September 12, 2021	36,565,487	$ 366	$ 115	$ (4,125,582)	$ (2,412)

5. 2022 Variable Funding Notes

Subsequent to the end of the third quarter of 2022, on September 16, 2022 (the "Closing Date"), certain of the Company's subsidiaries issued a new variable funding note facility which allows for advances of up to $120.0 million of Series 2022-1 Variable Funding Senior Secured Notes, Class A-1 Notes (the "2022 Variable Funding Notes"). The 2022 Variable Funding Notes were undrawn on the Closing Date. The Company's existing $200.0 million Series 2021-1 Variable Funding Senior Secured Notes, Class A-1 Notes (the "2021 Variable Funding Notes") also remain in place.

6. Fair Value Measurements

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

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

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

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

Fair Value of Cash Equivalents and Investments

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 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 fair values of certain assets at September 11, 2022 and January 2, 2022:

	At September 11, 2022			
		Fair Value Estimated Using		
	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cash equivalents	$ 73,258	$ 73,258	$ —	$ —
Restricted cash equivalents	117,195	117,195	—	—
Investments in marketable securities	13,498	13,498	—	—
Advertising fund cash equivalents, restricted	146,235	146,235	—	—
Investments	125,840	—	—	125,840

	At January 2, 2022			
		Fair Value Estimated Using		
	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cash equivalents	$ 87,384	$ 87,384	$ —	$ —
Restricted cash equivalents	115,185	115,185	—	—
Investments in marketable securities	15,433	15,433	—	—
Advertising fund cash equivalents, restricted	140,115	140,115	—	—
Investments	125,840	—	—	125,840

The Company holds a non-controlling interest in DPC Dash Ltd, a privately-held business company limited by shares incorporated with limited liability under the laws of the British Virgin Islands ("DPC Dash"). Through its subsidiaries, DPC Dash serves as the Company's master franchisee in China that owns and operates Domino's Pizza stores in that market. The Company's investment in DPC Dash's senior ordinary shares, which are not in-substance common stock, represents 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.

The Company did not record any adjustments to the carrying amount of $125.8 million in the third quarter or three fiscal quarters of 2022. The following table summarizes the reconciliation of the carrying amount of the Company’s investment in DPC Dash from the opening balance at January 3, 2021 to the closing balance at September 12, 2021 as a result of the additional investment made in the first quarter of 2021:

	Three Fiscal Quarters Ended September 12, 2021			
	Carrying Amount January 3, 2021	Purchases	Unrealized Gain	Carrying Amount September 12, 2021
Investments	$ 40,000	$ 40,000	$ 2,500	$ 82,500

Fair Value of Debt

The estimated fair values of the Company’s fixed 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 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 below.

Management estimated the approximate fair values of the Company's 2015, 2017, 2018, 2019 and 2021 fixed rate notes as follows:

	September 11, 2022		January 2, 2022	
	Principal Amount	Fair Value	Principal Amount	Fair Value
2015 Ten-Year Notes	$ 754,000	$ 734,396	$ 760,000	$ 777,480
2017 Ten-Year Notes	955,000	899,610	962,500	1,000,038
2018 7.5-Year Notes	409,063	394,336	412,250	420,907
2018 9.25-Year Notes	385,000	365,750	388,000	407,788
2019 Ten-Year Notes	658,125	590,996	663,188	693,031
2021 7.5-Year Notes	839,375	722,702	845,750	849,133
2021 Ten-Year Notes	987,500	834,438	995,000	1,017,885

The Company’s 2021 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 had $120.0 million of outstanding borrowings under its 2021 Variable Funding Notes at September 11, 2022 and, subsequent to the end of the third quarter of 2022, repaid $60.0 million of these outstanding borrowings. The Company did not have any outstanding borrowings under its 2021 Variable Funding Notes as of January 2, 2022.

7. Revenue Disclosures

Contract Liabilities

Contract liabilities primarily consist of deferred franchise fees and deferred development fees. Deferred franchise fees and deferred development fees of $5.5 million and $5.4 million were included in current other accrued liabilities as of September 11, 2022 and January 2, 2022, respectively. Deferred franchise fees and deferred development fees of $23.3 million and $24.3 million were included in long-term other accrued liabilities as of September 11, 2022 and January 2, 2022, respectively.

Changes in deferred franchise fees and deferred development fees for the three fiscal quarters of 2022 and the three fiscal quarters of 2021 were as follows:

	Three Fiscal Quarters Ended	
	September 11, 2022	September 12, 2021
Deferred franchise fees and deferred development fees at beginning of period	$ 29,694	$ 19,090
Revenue recognized during the period	(4,688)	(3,944)
New deferrals due to cash received and other	3,774	4,784
Deferred franchise fees and deferred development fees at end of period	$ 28,780	$ 19,930

Advertising Fund Assets

As of September 11, 2022, advertising fund assets, restricted of $181.2 million consisted of $157.7 million of cash and cash equivalents, $16.4 million of accounts receivable and $7.1 million of prepaid expenses. As of September 11, 2022, advertising fund cash and cash equivalents included $7.9 million of cash contributed from U.S. Company-owned stores that had not yet been expended.

As of January 2, 2022, advertising fund assets, restricted of $180.9 million consisted of $161.7 million of cash and cash equivalents, $14.5 million of accounts receivable and $4.7 million of prepaid expenses. As of January 2, 2022, advertising fund cash and cash equivalents included $7.2 million of cash contributed from U.S. Company-owned stores that had not yet been expended.

8. Leases

The Company leases certain retail store and supply chain center locations, supply chain vehicles, equipment 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 2022 and the third quarter and three fiscal quarters of 2021 were as follows:

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 11, 2022	September 12, 2021	September 11, 2022	September 12, 2021
Operating lease cost	$ 11,302	$ 10,451	$ 32,366	$ 31,201
Finance lease cost:				
Amortization of right-of-use assets	1,228	1,022	3,631	2,944
Interest on lease liabilities	1,086	1,050	2,922	2,798
Total finance lease cost	$ 2,314	$ 2,072	$ 6,553	$ 5,742

Rent expense totaled $17.5 million and $55.4 million in the third quarter and three fiscal quarters of 2022, respectively. Rent expense totaled $18.3 million and $54.4 million in the third quarter and three fiscal quarters of 2021, respectively. Rent expense includes operating lease cost, as well as expense for non-lease components including common area maintenance, real estate taxes and other costs 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. Rent expense for certain short-term supply chain center tractor and trailer rentals was $1.3 million and $5.1 million in the third quarter and three fiscal quarters of 2022, respectively. Rent expense for short-term supply chain center tractor and trailer rentals was $1.8 million and $5.6 million in the third quarter and three fiscal quarters of 2021, respectively. Variable rent expense and rent expense for other short-term leases were immaterial in both the third quarter and three fiscal quarters of 2022 and 2021.

Supplemental balance sheet information related to the Company’s finance leases as of September 11, 2022 and January 2, 2022 was as follows:

	September 11, 2022	January 2, 2022
Land and buildings	$ 85,489	$ 86,965
Equipment	1,802	—
Finance lease assets	87,291	86,965
Accumulated depreciation and amortization	(18,031)	(14,423)
Finance lease assets, net	$ 69,260	$ 72,542
Current portion of long-term debt	$ 4,287	$ 4,088
Long-term debt, less current portion	69,591	72,250
Total principal payable on finance leases	$ 73,878	$ 76,338

As of September 11, 2022 and January 2, 2022, the weighted average remaining lease term and weighted average discount rate for the Company’s operating and finance leases were as follows:

	September 11, 2022		January 2, 2022	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted average remaining lease term	6 years	14 years	7 years	15 years
Weighted average discount rate	3.6%	5.8%	3.5%	5.8%

Supplemental cash flow information related to leases for the third quarter and three fiscal quarters of 2022 and the third quarter and three fiscal quarters of 2021 were as follows:

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 11, 2022	September 12, 2021	September 11, 2022	September 12, 2021
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 11,581	$ 10,236	$ 30,076	$ 29,528
Operating cash flows from finance leases	1,086	1,050	2,922	2,798
Financing cash flows from finance leases	1,038	771	2,816	2,068
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	4,241	7,785	35,405	19,138
Finance leases	453	390	453	6,050

Maturities of lease liabilities as of September 11, 2022 were as follows:

	Operating Leases	Finance Leases
2022	$ 18,493	$ 2,745
2023	43,705	7,623
2024	43,399	8,209
2025	37,856	8,028
2026	35,257	8,724
Thereafter	81,564	77,868
Total future minimum rental commitments	260,274	113,197
Less – amounts representing interest	(29,203)	(39,319)
Total lease liabilities	$ 231,071	$ 73,878

As of September 11, 2022, the Company had additional leases for one supply chain center, one storage warehouse facility and certain supply chain and U.S. Company-owned store vehicles that had not yet commenced with estimated future minimum rental commitments of approximately $72.3 million. These leases are expected to commence in 2022 and 2023 with lease terms of up to 16 years. These undiscounted amounts are not included in the table above.

The Company has guaranteed lease payments related to certain franchisees' and others' lease arrangements. The maximum amount of potential future payments under these guarantees was $7.1 million and $9.1 million as of September 11, 2022 and January 2, 2022, respectively. The Company does not believe these arrangements have had or are likely to have a material effect on its results of operations, financial condition, revenues, expenses or liquidity.

9. Supplemental Disclosures of Cash Flow Information

The Company had non-cash investing activities related to accruals for capital expenditures of $6.0 million at September 11, 2022 and $5.4 million at January 2, 2022. The Company also had $0.1 million of non-cash investing activities related to lease incentives in the three fiscal quarters of both 2022 and 2021.

10. Company-owned Store Transactions

During the first quarter of 2022, the Company purchased 23 U.S. franchised stores from certain of the Company's existing U.S. franchisees for $6.8 million, which included $4.0 million of intangibles, $1.7 million of equipment and leasehold improvements and $1.1 million of goodwill.

Subsequent to the end of the third quarter of 2022, the Company sold 114 U.S. Company-owned stores in Arizona and Utah to certain of its franchisees for $41.1 million, and the Company expects to record a gain on this transaction in the fourth quarter of 2022. The accounting for this transaction is still in process as of the date these condensed consolidated financial statements were issued and therefore the Company is unable to make any additional disclosures.

11. New Accounting Pronouncements

Accounting Standards Not Yet Adopted

The Company has considered all new accounting standards issued by the Financial Accounting Standards Board ("FASB"). The Company has not yet adopted the following standard.

Accounting Standards Update ("ASU") 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting

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 ("ASU 2020-04")*, 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 2021 Variable Funding Notes bear interest at fluctuating interest rates based on LIBOR. However, the associated loan documents contemplate a transition from LIBOR to secured overnight financing rate ("SOFR") in the event that LIBOR ceases to exist. The Company's 2022 Variable Funding Notes bear interest at fluctuating interest rates based on SOFR. ASU 2020-04 may currently be adopted and may be applied prospectively to contract modifications made on or before December 31, 2022. The Company does not expect the adoption of this guidance to have a material impact on its condensed consolidated financial statements.

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 2022 and 2021 third quarters referenced herein represent the twelve-week periods ended September 11, 2022 and September 12, 2021, respectively. The 2022 and 2021 three fiscal quarters referenced herein represent the thirty-six-week periods ended September 11, 2022 and September 12, 2021, respectively. In this section, we discuss the results of our operations for the third quarter and three fiscal quarters of 2022 as compared to the third quarter and three fiscal quarters of 2021.

Overview

Domino's is the largest pizza company in the world with more than 19,500 locations in over 90 markets around the world as of September 11, 2022, and operates two distinct service models within its stores with a significant business in both delivery and carryout. Founded in 1960, our roots are in convenient pizza delivery, while a significant amount of our sales also come from carryout customers. We are a highly recognized global brand, and we focus on serving neighborhoods locally through our large worldwide network of franchise owners and U.S. Company-owned stores. We are primarily a franchisor, with approximately 98% of Domino's global stores currently owned and operated by our independent franchisees. Franchising enables an individual to be his or her own employer and maintain control over all employment-related matters and pricing decisions, while also benefiting from the strength of the Domino's global brand and operating system with limited capital investment by us.

The Domino's business model is straightforward: Domino's stores handcraft and serve quality food at a competitive price, with easy ordering access and efficient service, enhanced by our technological innovations. Our hand-tossed dough is made fresh and distributed to stores around the world by us and our franchisees.

Domino's generates revenues and earnings by charging royalties and fees to our franchisees. Royalties are ongoing percent-of-sales fees for use of the Domino's® brand marks. We also generate revenues and earnings by selling food, equipment and supplies to franchisees through our supply chain operations, primarily in the U.S. and Canada, and by operating a number of Company-owned stores in the United States. Franchisees profit by selling pizza and other complementary items to their local customers. In our international markets, we generally grant geographical rights to the Domino's Pizza® brand to master franchisees. These master franchisees are charged with developing their geographical area, and they may profit by sub-franchising and selling food and equipment to those sub-franchisees, as well as by running pizza stores. We believe that everyone in the system can benefit, including the end consumer, who can purchase Domino's menu items for themselves and their family conveniently and economically.

The Domino's business model can yield strong returns for our franchise owners and our Company-owned stores. It can also yield significant cash flows to us, through a consistent franchise royalty payment and supply chain revenue stream, with moderate capital expenditures. We have historically returned cash to shareholders through dividend payments and share repurchases. We believe we have a proven business model for success, which includes leading with technology, service and product innovation and leveraging our global scale, which has historically driven strong returns for our shareholders.

Third Quarter of 2022 Highlights

- Global retail sales, excluding foreign currency impact (which includes total retail sales at Company-owned and franchised stores worldwide) increased 4.7% as compared to the third quarter of 2021. U.S. retail sales increased 4.1% and international retail sales, excluding foreign currency impact, increased 5.2% as compared to the third quarter of 2021.
- Same store sales increased 2.0% in our U.S. stores and declined 1.8% in our international stores (excluding foreign currency impact).
- Revenues increased 7.1%.
- Income from operations decreased 2.1%.
- Net income decreased 16.5%.
- Diluted earnings per share decreased 13.9%.

Three Fiscal Quarters of 2022 Highlights

- Global retail sales, excluding foreign currency impact (which includes total retail sales at Company-owned and franchised stores worldwide) increased 3.2% as compared to the three fiscal quarters of 2021. U.S. retail sales increased 0.7% and international retail sales, excluding foreign currency impact, increased 5.7% as compared to the three fiscal quarters of 2021.
- Same store sales declined 1.6% in our U.S. stores and declined 0.8% in our international stores (excluding foreign currency impact).
- Revenues increased 4.3%.
- Income from operations decreased 6.9%.
- Net income decreased 17.1%.
- Diluted earnings per share decreased 12.8%.

Excluding the negative impact of foreign currency, Domino's experienced global retail sales growth during the third quarter and three fiscal quarters of 2022. We believe our commitment to value, convenience, quality and new products continues to keep consumers engaged with the brand. U.S. same store sales increased 2.0% in the third quarter of 2022 and declined 1.6% in the three fiscal quarters of 2022, rolling over a decrease in U.S. same store sales of 1.9% in the third quarter of 2021 and an increase in U.S. same store sales of 4.6% in the three fiscal quarters of 2021. The decline in U.S. same store sales in the three fiscal quarters of 2022 was attributable to lower order counts due in part to labor shortages affecting store hours and staffing levels in many of our markets and economic stimulus activity in the U.S in the three fiscal quarters of 2021 in response to the COVID-19 pandemic which did not recur in the respective periods of 2022. A higher average ticket per transaction resulting from higher menu and national offer pricing, as well as increases to our average delivery fee contributed to the increase in U.S. same store sales in the third quarter of 2022 and partially offset the decline in U.S. same store sales in the three fiscal quarters of 2022.

International same store sales (excluding foreign currency impact) declined 1.8% and 0.8% in the third quarter and three fiscal quarters of 2022, respectively, rolling over increases in international same store sales (excluding foreign currency impact) of 8.8% and 11.4% in the third quarter and three fiscal quarters of 2021, respectively. The decline in same store sales (excluding foreign currency impact) in the third quarter and three fiscal quarters of 2022 in our international business was driven in part by a value added tax holiday in the United Kingdom in the three fiscal quarters of 2021 that did not recur in the second and third quarter of 2022. Our U.S. and international same store sales (excluding foreign currency impact) continue to be pressured by our fortressing strategy, which includes increasing store concentration in certain markets where we compete, as well as from aggressive competitive activity.

During the third quarter and three fiscal quarters of 2022, we experienced significant inflationary pressures in our commodity, labor and fuel costs resulting from the macroeconomic environment in the U.S., which had a significant impact on our overall operating results as compared to the respective periods of 2021.

We continued our global expansion with the opening of 225 net stores in the third quarter of 2022, bringing our year-to-date total to 671. We had 24 net stores open in the U.S. and 201 net stores open internationally during the third quarter of 2022.

Overall, we believe our continued global store growth, along with our global retail sales growth (excluding foreign currency impact), emphasis on technology, operations, and marketing initiatives, have combined to strengthen our brand.

Statistical Measures

The tables below outline certain statistical measures we utilize to analyze our performance. This historical data is not necessarily indicative of results to be expected for any future period.

Global Retail Sales Growth (excluding foreign currency impact)

Global retail sales growth (excluding foreign currency impact) is a commonly used statistical measure in the quick-service restaurant industry that is important to understanding performance. Global retail sales refers to total worldwide retail sales at Company-owned and franchise stores. We believe global retail sales information is useful in analyzing revenues because franchisees pay royalties and, in the U.S., advertising fees that are based on a percentage of franchise retail sales. We review comparable industry global retail sales information to assess business trends and to track the growth of the Domino's Pizza brand. In addition, supply chain revenues are directly impacted by changes in franchise retail sales in the U.S. and Canada. Retail sales for franchise stores are reported to us by our franchisees and are not included in our revenues. Global retail sales growth, excluding foreign currency impact, is calculated as the change of international local currency global retail sales against the comparable period of the prior year.

	Third Quarter of 2022	Third Quarter of 2021	Three Fiscal Quarters of 2022	Three Fiscal Quarters of 2021
U.S. stores	+4.1%	+1.1%	+0.7%	+7.6%
International stores (excluding foreign currency impact)	+5.2%	+16.5%	+5.7%	+19.2%
Total (excluding foreign currency impact)	+4.7%	+8.5%	+3.2%	+13.1%

Same Store Sales Growth

Same store sales growth is a commonly used statistical measure in the quick-service restaurant industry that is important to understanding performance. Same store sales growth is calculated by including only sales from stores that also 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.

	Third Quarter of 2022	Third Quarter of 2021	Three Fiscal Quarters of 2022	Three Fiscal Quarters of 2021
U.S. Company-owned stores (1)	(1.9)%	(8.9)%	(7.3)%	(2.0)%
U.S. franchise stores (1)	+2.2%	(1.5)%	(1.2)%	+5.1%
U.S. stores	+2.0%	(1.9)%	(1.6)%	+4.6%
International stores (excluding foreign currency impact)	(1.8)%	+8.8%	(0.8)%	+11.4%

(1) During the first quarter of 2022, we purchased 23 U.S. franchised stores from certain of our existing U.S. franchisees (the "2022 Store Purchase"). The same store sales growth for these stores is reflected in U.S. Company-owned stores in the third quarter and three fiscal quarters of 2022.

Store Growth Activity

Store counts and net store growth are commonly used statistical measures in the quick-service restaurant industry that are important to understanding performance.

	U.S. Company-owned Stores	U.S. Franchise Stores	Total U.S. Stores	International Stores	Total
Store count at June 19, 2022	401	6,218	6,619	12,675	19,294
Openings	1	26	27	263	290
Closings (1)	—	(3)	(3)	(62)	(65)
Store count at September 11, 2022	402	6,241	6,643	12,876	19,519
Third quarter 2022 net store growth	1	23	24	201	225
Trailing four quarters net store growth (2)	12	160	172	967	1,139

(1) Temporary store closures are not treated as store closures and affected stores are included in the ending store count. Based on information reported to us by our master franchisees, we estimate that as of September 11, 2022, there were fewer than 125 international stores temporarily closed.
(2) Trailing four quarters net store growth does not include the effect of transfers associated with the 2022 Store Purchase.

Income Statement Data

	Third Quarter of 2022		Third Quarter of 2021		Three Fiscal Quarters of 2022		Three Fiscal Quarters of 2021	
U.S. Company-owned stores	$112.4		$108.4		$328.8		$337.7	
U.S. franchise royalties and fees	128.9		121.6		379.3		372.9	
Supply chain	646.1		588.8		1,902.2		1,760.1	
International franchise royalties and fees	67.1		70.6		202.8		207.1	
U.S. franchise advertising	114.2		108.6		331.9		336.3	
Total revenues	1,068.6	100.0%	998.0	100.0%	3,144.9	100.0%	3,014.2	100.0%
U.S. Company-owned stores	98.6		86.9		280.0		260.7	
Supply chain	588.2		525.9		1,728.2		1,571.4	
Total cost of sales	686.7	64.3%	612.8	61.4%	2,008.2	63.9%	1,832.1	60.8%
Gross margin	381.9	35.7%	385.2	38.6%	1,136.7	36.1%	1,182.0	39.2%
General and administrative	91.2	8.5%	96.3	9.6%	285.8	9.1%	288.0	9.6%
U.S. franchise advertising	114.2	10.7%	108.6	10.9%	331.9	10.5%	336.3	11.1%
Income from operations	176.5	16.5%	180.3	18.1%	519.1	16.5%	557.7	18.5%
Other income	—	0.0%	—	0.0%	—	0.0%	2.5	0.1%
Interest expense, net	(44.6)	(4.2)%	(45.5)	(4.6)%	(136.1)	(4.3)%	(130.7)	(4.3)%
Income before provision for income taxes	131.8	12.3%	134.8	13.5%	383.0	12.2%	429.5	14.3%
Provision for income taxes	31.3	2.9%	14.4	1.4%	89.1	2.9%	74.8	2.5%
Net income	$100.5	9.4%	$120.4	12.1%	$294.0	9.3%	$354.8	11.8%

Revenues

	Third Quarter of 2022		Third Quarter of 2021		Three Fiscal Quarters of 2022		Three Fiscal Quarters of 2021	
U.S. Company-owned stores	$ 112.4	10.5 %	$ 108.4	10.8 %	$ 328.8	10.4 %	$ 337.7	11.2 %
U.S. franchise royalties and fees	128.9	12.1 %	121.6	12.2 %	379.3	12.1 %	372.9	12.4 %
Supply chain	646.1	60.4 %	588.8	59.0 %	1,902.2	60.5 %	1,760.1	58.4 %
International franchise royalties and fees	67.1	6.3 %	70.6	7.1 %	202.8	6.4 %	207.1	6.9 %
U.S. franchise advertising	114.2	10.7 %	108.6	10.9 %	331.9	10.6 %	336.3	11.1 %
Total revenues	$ 1,068.6	100.0 %	$ 998.0	100.0 %	$ 3,144.9	100.0 %	$ 3,014.2	100.0 %

Revenues primarily consist of retail sales from our Company-owned stores, royalties, advertising contributions 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 2022		Third Quarter of 2021		Three Fiscal Quarters of 2022		Three Fiscal Quarters of 2021	
U.S. Company-owned stores	$ 112.4	31.6 %	$ 108.4	32.0 %	$ 328.8	31.6 %	$ 337.7	32.3 %
U.S. franchise royalties and fees	128.9	36.3 %	121.6	35.9 %	379.3	36.5 %	372.9	35.6 %
U.S. franchise advertising	114.2	32.1 %	108.6	32.1 %	331.9	31.9 %	336.3	32.1 %
U.S. stores	$ 355.5	100.0 %	$ 338.6	100.0 %	$ 1,039.9	100.0 %	$ 1,047.0	100.0 %

U.S. Company-owned Stores

Revenues from U.S. Company-owned store operations increased $4.0 million, or 3.7%, in the third quarter of 2022 due to an increase in the average number of U.S. Company-owned stores open during the period resulting from net store growth and the 2022 Store Purchase, and was partially offset by a decline in U.S. Company-owned same store sales. Revenues from U.S. Company-owned store operations decreased $9.0 million, or 2.7%, in the three fiscal quarters of 2022 due to a decline in U.S. Company-owned same store sales. This decrease was partially offset by an increase in the average number of U.S. Company-owned stores open during the period resulting from net store growth and the 2022 Store Purchase.

U.S. Company-owned same store sales declined 1.9% and 7.3% in the third quarter and three fiscal quarters of 2022, respectively. U.S. Company-owned same store sales declined 8.9% and 2.0% in the third quarter and three fiscal quarters of 2021, respectively.

U.S. Franchise Royalties and Fees

Revenues from U.S. franchise royalties and fees increased $7.3 million, or 6.0%, in the third quarter of 2022 due to an increase in U.S. franchise same store sales, as well as an increase in the average number of U.S. franchised stores open during the period resulting from net store growth and higher revenues from fees paid by our franchisees for the use of our technology platforms. Revenues from U.S. franchise royalties and fees increased $6.3 million, or 1.7%, in the three fiscal quarters of 2022 due primarily to an increase in revenues from fees paid by our franchisees for the use of our technology platforms as well as an increase in the average number of U.S. franchised stores open during the period resulting from net store growth. These increases were partially offset by a decline in U.S. franchise same store sales in the three fiscal quarters of 2022. Revenues from U.S. franchise royalties and fees were negatively impacted by the 2022 Store Purchase in both the third quarter and three fiscal quarters of 2022.

U.S. franchise same store sales increased 2.2% in the third quarter of 2022 and declined 1.2% in the three fiscal quarters of 2022. U.S. franchise same store sales declined 1.5% in the third quarter of 2021 and increased 5.1% in the three fiscal quarters of 2021.

U.S. Franchise Advertising

Revenues from U.S. franchise advertising increased $5.6 million, or 5.2%, in the third quarter of 2022 due primarily to an increase in U.S. franchise same store sales and an increase in the average number of U.S. franchised stores open during the period resulting from net store growth, partially offset by the 2022 Store Purchase. Approximately $2.8 million in advertising incentives related to certain brand promotions in the third quarter of 2021, which did not recur in the third quarter of 2022, also contributed to the increase in U.S. franchise advertising revenue in the third quarter of 2022.

Revenues from U.S. franchise advertising decreased $4.4 million, or 1.3%, in the three fiscal quarters of 2022 due primarily to a decline in U.S. franchise same store sales. Additionally, the Company recorded approximately $2.3 million more in advertising incentives related to certain brand promotions in the three fiscal quarters of 2022 as compared to the three fiscal quarters of 2021, which also contributed to the decrease in U.S. franchise advertising revenues. The decrease in U.S. franchise advertising revenues in the three fiscal quarters of 2022 was partially offset by an increase in the average number of U.S. franchised stores open during the period resulting from net store growth, but was partially offset by the 2022 Store Purchase.

Supply Chain

Supply chain revenues increased $57.3 million, or 9.7%, in the third quarter of 2022, and increased $142.1 million, or 8.1%, in the three fiscal quarters of 2022 due to higher market basket pricing to stores, partially offset by lower order volumes at our U.S. franchise stores during the respective periods. Our market basket pricing to stores increased 13.4% during the third quarter of 2022, which resulted in an estimated $69.0 million increase in supply chain revenues. Our market basket pricing to stores increased 13.5% during the three fiscal quarters of 2022, which resulted in an estimated $202.2 million increase in supply chain revenues.

International Franchise Royalties and Fee Revenues

Revenues from international franchise royalties and fees decreased $3.5 million, or 5.0%, in the third quarter of 2022, and decreased $4.3 million, or 2.1%, in the three fiscal quarters of 2022 due primarily to the negative impact of changes in foreign currency exchange rates of $7.9 million and $18.0 million in the third quarter and three fiscal quarters of 2022, respectively. A decline in international same store sales (excluding foreign currency impact) in the third quarter and three fiscal quarters of 2022 also contributed to the decreases in international franchise revenues in the respective periods. An increase in the average number of international franchise stores open during the respective periods, resulting from net store growth, partially offset the declines in revenues.

Excluding the impact of foreign currency exchange rates, international franchise same store sales declined 1.8% and 0.8% in the third quarter and three fiscal quarters of 2022, respectively. Excluding the impact of foreign currency exchange rates, international franchise same store sales increased 8.8% and 11.4% in the third quarter and three fiscal quarters of 2021, respectively.

Cost of Sales / Gross Margin

	Third Quarter of 2022		Third Quarter of 2021		Three Fiscal Quarters of 2022		Three Fiscal Quarters of 2021	
Total revenues	$ 1,068.6	100.0%	$ 998.0	100.0%	$ 3,144.9	100.0%	$ 3,014.2	100.0%
Total cost of sales	686.7	64.3%	612.8	61.4%	2,008.2	63.9%	1,832.1	60.8%
Gross margin	$ 381.9	35.7%	$ 385.2	38.6%	$ 1,136.7	36.1%	$ 1,182.0	39.2%

Consolidated cost of sales consists of U.S. Company-owned store and supply chain costs incurred to generate the related revenues. Components of consolidated cost of sales primarily include food, labor, delivery and occupancy costs. Consolidated gross margin (which we define as revenues less cost of sales) decreased $3.3 million, or 0.9%, in the third quarter of 2022, and decreased $45.3 million, or 3.8%, in the three fiscal quarters of 2022, due primarily to lower U.S. Company-owned store revenues, as well as higher food, labor and delivery costs. Franchise revenues do not have a cost of sales component, so changes in these revenues have a disproportionate effect on gross margin. Additionally, as our market basket prices fluctuate, our revenues and gross margin percentages in our supply chain segment also fluctuate; however, actual product-level dollar gross margins remain unchanged.

As a percentage of revenues, the consolidated gross margin decreased 2.9 percentage points in the third quarter of 2022, and decreased 3.1 percentage points in the three fiscal quarters of 2022. U.S. Company-owned store gross margin decreased 7.5 percentage points in the third quarter of 2022, and decreased 8.0 percentage points in the three fiscal quarters of 2022. Supply chain gross margin decreased 1.7 percentage points in the third quarter of 2022, and decreased 1.5 percentage points in the three fiscal quarters of 2022. These changes in gross margin are described below.

U.S. Company-Owned Store Gross Margin

	Third Quarter of 2022		Third Quarter of 2021		Three Fiscal Quarters of 2022		Three Fiscal Quarters of 2021	
Revenues	$ 112.4	100.0%	$ 108.4	100.0%	$ 328.8	100.0%	$ 337.7	100.0%
Cost of sales	98.6	87.7%	86.9	80.2%	280.0	85.2%	260.7	77.2%
Store gross margin	$ 13.8	12.3%	$ 21.5	19.8%	$ 48.8	14.8%	$ 77.0	22.8%

U.S. Company-owned store gross margin (which does not include certain store-level costs such as royalties and advertising) decreased $7.7 million, or 35.8%, in the third quarter of 2022 due primarily to higher food and labor costs. U.S. Company-owned store gross margin decreased $28.2 million, or 36.7%, in the three fiscal quarters of 2022 due primarily to lower same store sales, as well as higher food and labor costs. As a percentage of store revenues, the U.S. Company-owned store gross margin decreased 7.5 percentage points in the third quarter of 2022, and decreased 8.0 percentage points in the three fiscal quarters of 2022. These changes in gross margin as a percentage of revenues are discussed in additional detail below.

- Food costs increased 4.1 percentage points to 32.5% in the third quarter of 2022, and increased 4.1 percentage points to 31.7% in the three fiscal quarters of 2022 as a result of higher food basket prices.
- Labor costs increased 1.7 percentage points to 31.6% in the third quarter of 2022, and increased 1.9 percentage points to 30.5% in the three fiscal quarters of 2022 due primarily to continued investments in frontline team member wage rates in our U.S. Company-owned stores, as well as lower sales leverage.
- Occupancy costs, including rent, telephone, utilities and depreciation, increased 0.9 percentage points to 9.6% in the third quarter of 2022, and increased 1.4 percentage points to 9.3% in the three fiscal quarters of 2022 due primarily to lower sales leverage, as well as higher utility rates in our U.S. Company-owned stores.
- Insurance costs increased 0.2 percentage points to 3.9% in the third quarter of 2022, and increased 0.7 percentage points to 4.3% in the three fiscal quarters of 2022 due primarily to unfavorable claims experience as well as lower sales leverage.

Supply Chain Gross Margin

	Third Quarter of 2022		Third Quarter of 2021		Three Fiscal Quarters of 2022		Three Fiscal Quarters of 2021	
Revenues	$ 646.1	100.0%	$ 588.8	100.0%	$ 1,902.2	100.0%	$ 1,760.1	100.0%
Cost of sales	588.2	91.0%	525.9	89.3%	1,728.2	90.8%	1,571.4	89.3%
Supply chain gross margin	$ 57.9	9.0%	$ 62.9	10.7%	$ 174.0	9.2%	$ 188.7	10.7%

Supply chain gross margin decreased $5.0 million, or 8.0%, in the third quarter of 2022, and decreased $14.7 million, or 7.8%, in the three fiscal quarters of 2022 due primarily to higher delivery and labor costs. As a percentage of supply chain revenues, supply chain gross margin decreased 1.7 percentage points in the third quarter of 2022 and decreased 1.5 percentage points in the three fiscal quarters of 2022 due to higher food and delivery costs. The increases in food and delivery costs as a percentage of supply chain revenues resulted from macroeconomic inflationary pressures in the U.S., as well as lower sales leverage.

General and Administrative Expenses

General and administrative expenses decreased $5.1 million, or 5.3%, in the third quarter of 2022 driven primarily by lower labor costs. General and administrative expenses decreased $2.3 million, or 0.8%, in the three fiscal quarters of 2022 driven primarily by lower labor costs, partially offset by higher travel expenses, amortization expense for capitalized software and non-cash equity-based compensation expense.

U.S. Franchise Advertising Expenses

U.S. franchise advertising expenses increased $5.6 million, or 5.2%, in the third quarter of 2022, and decreased $4.4 million, or 1.3%, in the three fiscal quarters of 2022 consistent with the changes in 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 other activities that promote the Domino's brand and these revenues cannot be used for general corporate purposes.

Other Income

During the first quarter of 2021, we recorded a $2.5 million unrealized gain on our investment in DPC Dash (Note 6) resulting from the observable change in price from the valuation of our additional $40.0 million investment. We did not record any adjustments to the carrying amount in the third quarter or three fiscal quarters of 2022, or the third quarter of 2021.

Interest Expense, Net

Interest expense, net decreased $0.9 million, or 1.9%, in the third quarter of 2022 driven primarily by higher interest income. Interest expense, net increased $5.4 million, or 4.1%, in the three fiscal quarters of 2022 driven by higher average borrowings resulting from our recapitalization transaction completed on April 16, 2021 (the "2021 Recapitalization"), partially offset by higher interest income.

Our weighted average borrowing rate decreased to 3.7% in both the third quarter and three fiscal quarters of 2022 from 3.8% in the third quarter of 2021 and from 3.9% in the three fiscal quarters of 2021, due to lower interest rates on the debt outstanding as a result of the 2021 Recapitalization.

Provision for Income Taxes

Income tax expense increased $16.9 million, or 117.6%, in the third quarter of 2022 due to a higher effective tax rate, and was partially offset by a decrease in income before provision for income taxes. The effective tax rate increased to 23.8% during the third quarter of 2022 as compared to 10.7% in the third quarter of 2021. Income tax expense increased $14.3 million, or 19.2%, in the three fiscal quarters of 2022 due to a higher effective tax rate, and was partially offset by a decrease in income before provision for income taxes. The effective tax rate increased to 23.3% during the three fiscal quarters of 2022 as compared to 17.4% in the three fiscal quarters of 2021. The higher effective tax rate in the third quarter and three fiscal quarters of 2022 was driven in part by a 9.8 and 4.0 percentage point change in excess tax benefits from equity-based compensation, which are recorded as a reduction to the income tax provision, in the third quarter and three fiscal quarters of 2022 as compared to the respective periods in 2021. The decreases in excess tax benefits from equity-based compensation were a result of fewer stock option exercises in the third quarter and three fiscal quarters of 2022 as compared to the respective periods in 2021. The increase in the effective tax rate was also a result of lower foreign tax credits in the respective periods of 2022.

Segment Income

We evaluate the performance of our reportable segments and allocate resources to them based on earnings before interest, taxes, depreciation, amortization and other, referred to as Segment Income. Segment Income for each of our reportable segments is summarized in the table below. Other Segment Income primarily includes corporate administrative costs that are not allocable to a reportable segment, including labor, computer expenses, professional fees, travel and entertainment, rent, insurance and other corporate administrative costs.

	Third Quarter of 2022	Third Quarter of 2021	Three Fiscal Quarters of 2022	Three Fiscal Quarters of 2021
U.S. stores	$ 100.5	$ 102.0	$ 301.9	$ 321.3
Supply chain	49.9	53.6	149.9	164.7
International franchise	53.8	57.3	161.7	168.1
Other	(2.9)	(10.0)	(16.3)	(25.7)

U.S. Stores

U.S. stores Segment Income decreased $1.4 million, or 1.4%, in the third quarter of 2022, primarily due to the $7.7 million decrease in U.S. Company-owned store gross margin, and was partially offset by the $7.3 million increase in U.S. franchise royalties and fees revenues, each as discussed above. U.S. stores Segment Income decreased $19.4 million, or 6.0%, in the three fiscal quarters of 2022, primarily due to the $28.2 million decrease in U.S. Company-owned store gross margin, and was partially offset by the $6.3 million increase in U.S. franchise royalties and fees revenues, each as discussed above. U.S. franchise revenues do not have a cost of sales component, therefore changes in these revenues have a disproportionate effect on U.S. stores Segment Income. U.S. franchise advertising costs are accrued and expensed when the related U.S. franchise advertising revenues are recognized and had no impact on U.S. stores Segment Income.

Supply Chain

Supply chain Segment Income decreased $3.7 million, or 6.9%, in the third quarter of 2022, primarily due to the $5.0 million decrease in supply chain gross margin discussed above. Supply chain Segment Income decreased $14.8 million, or 9.0%, in the three fiscal quarters of 2022, primarily due to the $14.7 million decrease in supply chain gross margin discussed above.

International Franchise

International franchise Segment Income decreased $3.5 million, or 6.2%, in the third quarter of 2022, primarily due to the $3.5 million decrease in international franchise royalties and fees revenues discussed above. International franchise Segment Income decreased $6.4 million, or 3.8%, in the three fiscal quarters of 2022, primarily due to the $4.3 million decrease in international franchise royalties and fees revenues discussed above. International franchise revenues do not have a cost of sales component, therefore changes in these revenues have a disproportionate effect on international franchise Segment Income.

Other

Other Segment Income increased $7.1 million, or 70.8%, in the third quarter of 2022, and increased $9.5 million, or 36.8%, in the three fiscal quarters of 2022, primarily due to lower labor costs.

Liquidity and Capital Resources

Historically, our receivable collection periods and inventory turn rates are faster than the normal payment terms on our current liabilities, resulting in efficient deployment of working capital. We generally collect our receivables within three weeks from the date of the related sale and we generally experience multiple inventory turns per month. In addition, our sales are not typically seasonal, which further limits variations in our working capital requirements. These factors allow us to manage our working capital and our ongoing cash flows from operations to invest in our business and other strategic opportunities, pay dividends and repurchase and retire shares of our common stock. As of September 11, 2022, we had working capital of $55.2 million, excluding restricted cash and cash equivalents of $184.6 million, advertising fund assets, restricted, of $181.2 million and advertising fund liabilities of $173.3 million. Working capital as of September 11, 2022 included unrestricted cash and cash equivalents of $114.8 million.

Our primary source of liquidity is cash flows from operations and availability of borrowings under our variable funding notes. During the third quarter and three fiscal quarters of 2022, we continued to increase global retail sales (excluding foreign currency impact), which continued our ability to generate positive cash provided by operating activities. As of September 11, 2022, we had a variable funding note facility which allowed for advances of up to $200.0 million of Series 2021-1 Variable Funding Senior Secured Notes, Class A-1 Notes and certain other credit instruments, including letters of credit (the “2021 Variable Funding Notes”). The letters of credit are primarily related to our casualty insurance programs and certain supply chain center leases. As of September 11, 2022, we had $120.0 million of outstanding borrowings and $35.8 million of available borrowing capacity under our 2021 Variable Funding Notes, net of letters of credit issued of $44.2 million. Subsequent to the end of the third quarter of 2022, we repaid $60.0 million of the outstanding borrowings under our 2021 Variable Funding Notes. Additionally, subsequent to the end of the third quarter of 2022, on September 16, 2022 (the “Closing Date”), certain of our subsidiaries issued a new variable funding note facility which allows for advances of up to $120.0 million of Series 2022-1 Variable Funding Senior Secured Notes, Class A-1 Notes (the “2022 Variable Funding Notes”). The 2022 Variable Funding Notes were undrawn on the Closing Date. Our existing 2021 Variable Funding Notes also remain in place.

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 shares of our common stock.

Our ability to continue to fund these items and continue to service our debt could be adversely affected by the occurrence of any of the events described under “Risk Factors” in our 2021 Form 10-K. There can be no assurance that our business will generate sufficient cash flows from operations or that future borrowings will be available under our 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 outstanding senior 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 11, 2022, we had $136.6 million of restricted cash held for future principal and interest payments and other working capital requirements of our asset-backed securitization structure, $47.8 million of restricted cash held in a three-month interest reserve as required by the related debt agreements and $0.2 million of other restricted cash for a total of $184.6 million of restricted cash and cash equivalents. As of September 11, 2022, we also held $157.7 million of advertising fund restricted cash and cash equivalents, which can only be used for activities that promote the Domino’s brand.

Long-Term Debt

As of September 11, 2022, we had approximately $5.15 billion of long-term debt, of which $55.8 million was classified as a current liability. As of September 11, 2022, our fixed rate notes from the recapitalizations we completed in 2021, 2019, 2018, 2017 and 2015 had original scheduled principal payments of $12.9 million in the remainder of 2022, $51.5 million in each of 2023 and 2024, $1.17 billion in 2025, $39.3 million in 2026, $1.31 billion in 2027, $811.5 million in 2028, $625.9 million in 2029, $10.0 million in 2030 and $905.0 million in 2031. Additionally, as of September 11, 2022, we had $120.0 million of outstanding borrowings under our 2021 Variable Funding Notes.

In accordance with our debt agreements, the payment of principal on the outstanding senior notes may be suspended if our leverage ratio is less than or equal to 5.0x total debt to adjusted EBITDA, as defined in the related agreements, and no catch-up provisions are applicable. As of the fourth quarter of 2020, we had a leverage ratio of less than 5.0x, and accordingly, did not make the previously scheduled debt amortization payment on our then-outstanding notes in the first quarter of 2021. Subsequent to the closing of the 2021 Recapitalization, we had a leverage ratio of greater than 5.0x, and accordingly, resumed making the previously scheduled debt amortization payment on our notes beginning in the second quarter of 2021.

The notes are subject to certain financial and non-financial covenants, including a debt service coverage ratio calculation. The covenant requires a minimum coverage ratio of 1.75x total debt service to securitized net cash flow, as defined in the related agreements. In the event that certain covenants are not met, the notes may become due and payable on an accelerated schedule.

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. On July 20, 2021, our Board of Directors authorized a share repurchase program to repurchase up to $1.0 billion of our common stock.

During the third quarter of 2022, we repurchased and retired 490,789 shares of our common stock under our Board of Directors-approved share repurchase program for a total of approximately $196.1 million. During the three fiscal quarters of 2022, we repurchased and retired 739,847 shares of our common stock under our Board of Directors-approved share repurchase program for a total of approximately $293.7 million. As of September 11, 2022, we had a total remaining authorized amount for share repurchases of approximately $410.4 million.

Dividends

On July 19, 2022, our Board of Directors declared a $1.10 per share quarterly dividend on our outstanding common stock for shareholders of record as of September 15, 2022, which was paid on September 30, 2022. We had approximately $39.6 million accrued for common stock dividends at September 11, 2022. Subsequent to the end of the third quarter, on October 11, 2022, our Board of Directors declared a $1.10 per share quarterly dividend on our outstanding common stock for shareholders of record as of December 15, 2022 to be paid on December 30, 2022.

Sources and Uses of Cash

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

(In millions)	Three Fiscal Quarters of 2022	Three Fiscal Quarters of 2021
Cash flows provided by (used in)		
Net cash provided by operating activities	$ 330.2	$ 484.6
Net cash used in investing activities	(58.7)	(90.3)
Net cash used in financing activities	(304.3)	(228.1)
Effect of exchange rate changes on cash	(0.6)	0.1
Change in cash and cash equivalents, restricted cash and cash equivalents	$ (33.4)	$ 166.2

Operating Activities

Cash provided by operating activities decreased $154.4 million in the three fiscal quarters of 2022. This decrease was primarily due to a $53.5 million negative impact of changes in advertising fund assets and liabilities, restricted, in the three fiscal quarters of 2022 as compared to the three fiscal quarters of 2021 due to receipts for advertising contributions outpacing payments for advertising activities in the three fiscal quarters of 2021 as well as the negative impact of changes in operating assets and liabilities of $52.1 million. The negative impact of changes in operating assets and liabilities primarily related to the timing of payments on accrued liabilities, accounts payable, income taxes and prepaid expenses in the three fiscal quarters of 2022 as compared to the three fiscal quarters of 2021. Additionally, net income decreased $60.8 million. However, this decrease in net income included a $12.0 million increase in non-cash adjustments, resulting in an overall decrease to cash provided by operating activities in the three fiscal quarters of 2022 as compared to the three fiscal quarters of 2021 of $48.8 million.

Investing Activities

Cash used in investing activities was $58.7 million in the three fiscal quarters of 2022, which primarily consisted of $50.5 million of capital expenditures (driven primarily by investments in technological initiatives, supply chain centers and corporate store operations). As a result of the 2022 Store Purchase, we also acquired 23 U.S. franchise stores from certain of our existing U.S. franchisees in the first quarter of 2022 for $6.8 million.

Financing Activities

Cash used in financing activities was $304.3 million in the three fiscal quarters of 2022, which primarily consisted of the repurchase of approximately $293.7 million in common stock under our Board of Directors-approved share repurchase program, dividend payments of $79.7 million, repayments of long-term debt and finance lease obligations of $41.1 million and tax payments for the vesting of restricted stock of $10.7 million. These uses of cash were partially offset by borrowings under our 2021 Variable Funding Notes of $120.0 million and proceeds from the exercise of stock options of $1.3 million.

Critical Accounting Estimates

For a description of the Company’s critical accounting estimates, refer to “Part II—Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the 2021 Form 10-K. The Company considers its most significant accounting policies and estimates to be long-lived assets, casualty insurance reserves and income taxes. There have been no material changes to the Company’s critical accounting estimates since January 2, 2022.

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, our 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 2021 Form 10-K. Actual results may differ materially from those expressed or implied in the forward-looking statements as a result of various factors, including but not limited to: our substantial increased indebtedness as a result of our recapitalization transactions and our ability to incur additional indebtedness or refinance 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; our ability to manage difficulties associated with or related to the ongoing COVID-19 pandemic and the effects of COVID-19 and related regulations and policies on our business and supply chain, including impacts on the availability of labor; labor shortages or 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 effectiveness of our advertising, operations and promotional initiatives; shortages, interruptions or disruptions in the supply or delivery of fresh food products and store equipment; 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; the impact of social media and other consumer-oriented technologies on our business, brand and reputation; the impact of new or improved technologies and alternative methods of delivery on consumer behavior; new product, digital ordering and concept developments by us, and other food-industry competitors; our ability to maintain good relationships with and attract new franchisees, and franchisees' ability to successfully manage their operations without negatively impacting our royalty payments and fees or 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; 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; changes in income tax 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 and consumer protection and social media; adverse legal judgments or settlements; food-borne illness or contamination of products or food tampering; data breaches, power loss, technological failures, user error or other cyber risks threatening us or our franchisees; the impact that environmental, social and governance matters may have on our business and reputation; the effect of war, terrorism, catastrophic events or climate change; our ability to pay dividends and repurchase shares; changes in consumer tastes, 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 have issued fixed rate notes and entered into variable funding notes and, at September 11, 2022, we are exposed to interest rate risk on borrowings under our 2021 Variable Funding Notes. As of September 11, 2022, we had $120.0 million of outstanding borrowings under our 2021 Variable Funding Notes.

Our 2021 Variable Funding Notes bear interest at fluctuating interest rates based on LIBOR. There is currently uncertainty around whether LIBOR will continue to exist after 2023. Our 2021 Variable Funding Notes loan documents contemplate a transition from LIBOR to secured overnight financing rate ("SOFR") in the event that LIBOR ceases to exist. Because the composition and characteristics of SOFR are not the same as those of LIBOR, in such event, there can be no assurance that SOFR will perform the same way LIBOR would have at any given time or for any applicable period. 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. Subsequent to the end of the third quarter of 2022, we entered into a facility for our 2022 Variable Funding Notes which bear interest at fluctuating interest rates based on SOFR. Our existing 2021 Variable Funding Notes also remain in place.

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. Our existing fixed rate notes have various maturities such that we would not be required to refinance all of our debt at one time. Refer to the original scheduled principal payments disclosed within the Liquidity and Capital Resources section.

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. Severe increases in commodity prices or food costs, including as a result of inflation, could affect the global and U.S. economies and could also adversely impact our business, financial condition or results of operations. We may periodically enter into financial instruments to manage this risk, although we have not done so historically. 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 6.3% of our total revenues in the third quarter of 2022, approximately 6.4% of our total revenues in the three fiscal quarters of 2022, approximately 7.1% of our total revenues in the third quarter of 2021 and approximately 6.9% of our total revenues in the three fiscal quarters of 2021 were derived from our international franchise segment, a majority of which were denominated in foreign currencies. We also operate dough manufacturing and distribution facilities in Canada, which generate revenues denominated in Canadian dollars. We do not enter into financial instruments to manage this foreign currency exchange risk. A hypothetical 10% adverse change in the foreign currency rates for our international markets would have resulted in a negative impact on royalty revenues of approximately $18.0 million in the three fiscal quarters of 2022.

Item 4. Controls and Procedures.

Management, with the participation of the Company's Chief Executive Officer, Russell J. Weiner, and Executive Vice President and Chief Financial Officer, Sandeep Reddy, 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. Weiner and Mr. Reddy concluded that the Company's disclosure controls and procedures were effective.

During the quarterly period ended September 11, 2022, there were no changes in the Company's internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

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.

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

Item 1A. Risk Factors.

There have been no material changes with respect to those risk factors previously disclosed in Item 1A "Risk Factors" in Part I of our 2021 Form 10-K.

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

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

Period	Total Number 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 (2) (in thousands)
Period #7 (June 20, 2022 to July 17, 2022)	1,179	$ 395.84	—	$ 606,437
Period #8 (July 18, 2022 to August 14, 2022)	225,466	390.83	223,822	518,966
Period #9 (August 15, 2022 to September 11, 2022)	268,114	406.66	266,967	410,358
Total	494,759	$ 399.42	490,789	$ 410,358

(1) 3,970 shares in the third quarter of 2022 were purchased as part of the Company's employee stock payroll deduction plan. During the third quarter, the shares were purchased at an average price of $387.29.

(2) On July 20, 2021, the Company's Board of Directors authorized a share repurchase program to repurchase up to $1.0 billion of the Company's common stock. As of September 11, 2022, $410.4 million remained available for future purchases of the Company's common stock under this share repurchase program.

Authorization for the repurchase program may be modified, suspended, or discontinued at any time. The repurchase of shares in any particular period and the actual amount of such purchases remain at the discretion of the Board of Directors, and no assurance can be given that shares will be repurchased in the future.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
31.1	Certification by Russell J. Weiner 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 Sandeep Reddy 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 Russell J. Weiner 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 Sandeep Reddy 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 13, 2022

/s/ Sandeep Reddy

Sandeep Reddy
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 31.1

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

I, Russell J. Weiner, 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 13, 2022	/s/ Russell J. Weiner
Date	Russell J. Weiner
	Chief Executive Officer

EXHIBIT 31.2

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

I, Sandeep Reddy, 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 13, 2022	/s/ Sandeep Reddy
Date	Sandeep Reddy
	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 11, 2022, as filed with the Securities and Exchange Commission (the “Report”), I, Russell J. Weiner, 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/ Russell J. Weiner
Russell J. Weiner
Chief Executive Officer

Dated: October 13, 2022

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 11, 2022, as filed with the Securities and Exchange Commission (the "Report"), I, Sandeep Reddy, 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/ Sandeep Reddy
Sandeep Reddy
Chief Financial Officer

Dated: October 13, 2022

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.