UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 16, 2019

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 July 9, 2019, Domino’s Pizza, Inc. had 41,232,984 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)	June 16, 2019	December 30, 2018 (1)
Assets		
Current assets:		
Cash and cash equivalents	$ 108,259	$ 25,438
Restricted cash and cash equivalents	152,713	166,993
Accounts receivable, net	182,904	190,091
Inventories	44,281	45,975
Prepaid expenses and other	37,578	25,710
Advertising fund assets, restricted	117,712	112,744
Total current assets	643,447	566,951
Property, plant and equipment:		
Land and buildings	41,385	41,147
Leasehold and other improvements	155,532	170,498
Equipment	237,088	243,654
Construction in progress	29,314	31,822
	463,319	487,121
Accumulated depreciation and amortization	(249,184)	(252,182)
Property, plant and equipment, net	214,135	234,939
Other assets:		
Operating lease right-of-use assets	211,204	—
Goodwill	13,542	14,919
Capitalized software, net	69,629	63,809
Other assets	21,965	21,241
Deferred income taxes	3,245	5,526
Total other assets	319,585	105,495
Total assets	$ 1,177,167	$ 907,385
Liabilities and stockholders' deficit		
Current liabilities:		
Current portion of long-term debt	$ 35,919	$ 35,893
Accounts payable	82,456	92,546
Operating lease liabilities	30,156	—
Insurance reserves	22,078	22,210
Dividends payable	27,355	581
Advertising fund liabilities	113,416	107,150
Other accrued liabilities	101,526	121,363
Total current liabilities	412,906	379,743
Long-term liabilities:		
Long-term debt, less current portion	3,414,988	3,495,691
Operating lease liabilities	188,305	—
Insurance reserves	33,507	31,065
Other accrued liabilities	31,747	40,807
Total long-term liabilities	3,668,547	3,567,563
Stockholders' deficit:		
Common stock	412	410
Additional paid-in capital	10,788	569
Retained deficit	(2,911,278)	(3,036,471)
Accumulated other comprehensive loss	(4,208)	(4,429)
Total stockholders' deficit	(2,904,286)	(3,039,921)
Total liabilities and stockholders' deficit	$ 1,177,167	$ 907,385

(1) The balance sheet at December 30, 2018 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See accompanying notes.

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

(In thousands, except per share data)	Fiscal Quarter Ended June 16, 2019	Fiscal Quarter Ended June 17, 2018	Two Fiscal Quarters Ended June 16, 2019	Two Fiscal Quarters Ended June 17, 2018
Revenues:				
U.S. Company-owned stores	$105,001	$118,795	$ 228,451	$ 239,981
U.S. franchise royalties and fees	95,594	87,418	192,302	176,908
Supply chain	467,577	440,917	939,677	880,980
International franchise royalties and fees	54,975	51,337	109,559	103,758
U.S. franchise advertising	88,500	80,929	177,621	163,140
Total revenues	811,647	779,396	1,647,610	1,564,767
Cost of sales:				
U.S. Company-owned stores	80,366	91,976	175,906	185,014
Supply chain	414,610	393,840	832,744	786,308
Total cost of sales	494,976	485,816	1,008,650	971,322
Operating margin	316,671	293,580	638,960	593,445
General and administrative	89,248	86,506	178,912	170,684
U.S. franchise advertising	88,500	80,929	177,621	163,140
Income from operations	138,923	126,145	282,427	259,621
Interest income	922	1,179	1,615	1,659
Interest expense	(33,866)	(36,127)	(68,920)	(66,413)
Income before provision for income taxes	105,979	91,197	215,122	194,867
Provision for income taxes	13,620	13,789	30,113	28,632
Net income	$ 92,359	$ 77,408	$ 185,009	$ 166,235
Earnings per share:				
Common stock - basic	$ 2.25	$ 1.84	$ 4.52	$ 3.92
Common stock - diluted	2.19	1.78	4.38	3.78

See accompanying notes.

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

(In thousands)	Fiscal Quarter Ended June 16, 2019	Fiscal Quarter Ended June 17, 2018	Two Fiscal Quarters Ended June 16, 2019	Two Fiscal Quarters Ended June 17, 2018
Net income	$92,359	$77,408	$ 185,009	$ 166,235
Currency translation adjustment	(16)	(603)	221	(1,058)
Comprehensive income	$92,343	$76,805	$ 185,230	$ 165,177

See accompanying notes.

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

(In thousands)	Two Fiscal Quarters Ended June 16, 2019	Two Fiscal Quarters Ended June 17, 2018
Cash flows from operating activities:		
Net income	$ 185,009	$ 166,235
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,850	23,310
Loss on sale/disposal of assets	2,829	519
Amortization of debt issuance costs	2,198	5,469
Provision for deferred income taxes	2,276	1,484
Non-cash compensation expense	8,589	11,443
Excess tax benefits from equity-based compensation	(18,446)	(15,318)
Other	550	111
Changes in operating assets and liabilities	(10,713)	(50,165)
Changes in advertising fund assets and liabilities, restricted	1,411	11,624
Net cash provided by operating activities	201,553	154,712
Cash flows from investing activities:		
Capital expenditures	(25,708)	(37,290)
Proceeds from sale of assets	8,161	323
Maturities of advertising fund investments, restricted	15,152	29,007
Purchases of advertising fund investments, restricted	—	(35,152)
Other	(132)	(672)
Net cash used in investing activities	(2,527)	(43,784)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	905,000
Repayments of long-term debt and finance lease obligations	(82,886)	(586,133)
Proceeds from exercise of stock options	9,290	5,206
Purchases of common stock	(11,453)	(320,067)
Tax payments for restricted stock upon vesting	(2,567)	(2,318)
Payments of common stock dividends and equivalents	(26,680)	(23,538)
Cash paid for financing costs	—	(8,207)
Net cash used in financing activities	(114,296)	(30,057)
Effect of exchange rate changes on cash	111	(132)
Change in cash and cash equivalents, restricted cash and cash equivalents	84,841	80,739
Cash and cash equivalents, beginning of period	25,438	35,768
Restricted cash and cash equivalents, beginning of period	166,993	191,762
Cash and cash equivalents included in advertising fund assets, restricted, beginning of period	44,988	27,316
Cash and cash equivalents, restricted cash and cash equivalents and cash and cash equivalents included in advertising fund assets, restricted, beginning of period	237,419	254,846
Cash and cash equivalents, end of period	108,259	157,788
Restricted cash and cash equivalents, end of period	152,713	144,970
Cash and cash equivalents included in advertising fund assets, restricted, end of period	61,288	32,827
Cash and cash equivalents, restricted cash and cash equivalents and cash and cash equivalents included in advertising fund assets, restricted, end of period	$ 322,260	$ 335,585

See accompanying notes.

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

June 16, 2019

1. Basis of Presentation and Updates to Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. For further information, refer to the consolidated financial statements and footnotes for the fiscal year ended December 30, 2018 included in the Company's 2018 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 21, 2019 (the "2018 Form 10-K").

In the opinion of management, all adjustments, consisting of normal recurring items, considered necessary for a fair statement have been included. Operating results for the fiscal quarter ended June 16, 2019 are not necessarily indicative of the results that may be expected for the fiscal year ending December 29, 2019.

Updates to Significant Accounting Policies

The Company adopted Accounting Standards Codification 842, *Leases* ("ASC 842") in the first quarter of 2019. As a result, the Company updated its significant accounting policies for leases below. Refer to Note 7 for additional information related to the Company's lease arrangements and Note 11 for the impact of the adoption of ASC 842 on the Company's condensed consolidated financial statements.

Leases

The Company leases certain retail store and supply chain center locations, supply chain vehicles and its corporate headquarters. The Company determines whether an arrangement is or contains a lease at contract inception. The majority of the Company's leases are classified as operating leases, which are included in operating lease right-of-use assets and operating lease liabilities in the Company's condensed consolidated balance sheet. Finance leases are included in property, plant and equipment, current portion of long-term debt and long-term debt on the Company's condensed consolidated balance sheet.

Right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date for leases exceeding 12 months. Minimum lease payments include only the fixed lease component of the agreement, as well as any variable rate payments that depend on an index, initially measured using the index at the lease commencement date. Lease terms may include options to renew when it is reasonably certain that the Company will exercise that option.

The Company estimates its incremental borrowing rate for each lease using a portfolio approach based on the respective weighted average term of the agreements. This estimation considers the market rates of the Company's outstanding collateralized borrowings and interpolations of rates outside of the terms of the outstanding borrowings, including comparisons to comparable borrowings of similarly-rated companies with longer term borrowings.

Operating lease expense is recognized on a straight-line basis over the lease term and is included in cost of sales or general and administrative expense. Amortization expense for finance leases is recognized on a straight-line basis over the lease term and is included in cost of sales or general and administrative expense, while interest expense for finance leases is recognized using the effective interest method. Variable lease payments that do not depend on a rate or index, payments associated with non-lease components and short-term rentals (leases with terms less than 12 months) are expensed as incurred.

2. Segment Information

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

	Fiscal Quarters Ended June 16, 2019 and June 17, 2018					
	U.S. Stores	Supply Chain	International Franchise	Intersegment Revenues	Other	Total
Revenues						
2019	$289,095	$495,989	$ 54,975	$ (28,412)	$ —	$ 811,647
2018	287,142	474,471	51,337	(33,554)	—	779,396
Income from operations						
2019	$ 77,050	$ 41,305	$ 41,432	N/A	$(20,864)	$ 138,923
2018	73,193	36,494	39,104	N/A	(22,646)	126,145
Segment Income						
2019	$ 82,006	$ 45,382	$ 41,491	N/A	$ (9,235)	$ 159,644
2018	76,087	39,454	39,150	N/A	(10,241)	144,450

	Two Fiscal Quarters Ended June 16, 2019 and June 17, 2018					
	U.S. Stores	Supply Chain	International Franchise	Intersegment Revenues	Other	Total
Revenues						
2019	$ 598,374	$ 1,001,670	$ 109,559	$ (61,993)	$ —	$ 1,647,610
2018	580,029	948,426	103,758	(67,446)	—	1,564,767
Income from operations						
2019	$ 157,664	$ 83,327	$ 84,186	N/A	$ (42,750)	$ 282,427
2018	148,481	73,866	80,628	N/A	(43,354)	259,621
Segment Income						
2019	$ 165,604	$ 91,429	$ 84,290	N/A	$ (19,628)	$ 321,695
2018	154,431	79,610	80,721	N/A	(19,337)	295,425

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

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	June 16, 2019	June 17, 2018	June 16, 2019	June 17, 2018
Total Segment Income	$159,644	$144,450	$ 321,695	$ 295,425
Depreciation and amortization	(14,060)	(12,240)	(27,850)	(23,310)
Loss on sale/disposal of assets	(2,680)	(154)	(2,829)	(519)
Non-cash compensation expense	(3,981)	(5,379)	(8,589)	(11,443)
Recapitalization-related expenses	—	(532)	—	(532)
Income from operations	138,923	126,145	282,427	259,621
Interest income	922	1,179	1,615	1,659
Interest expense	(33,866)	(36,127)	(68,920)	(66,413)
Income before provision for income taxes	$105,979	$ 91,197	$ 215,122	$ 194,867

3. Earnings Per Share

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	June 16, 2019	June 17, 2018	June 16, 2019	June 17, 2018
Net income available to common stockholders - basic and diluted	$ 92,359	$ 77,408	$ 185,009	$ 166,235
Basic weighted average number of shares	41,023,269	42,044,035	40,944,400	42,433,073
Earnings per share – basic	$ 2.25	$ 1.84	$ 4.52	$ 3.92
Diluted weighted average number of shares	42,236,507	43,582,996	42,219,649	43,981,253
Earnings per share – diluted	$ 2.19	$ 1.78	$ 4.38	$ 3.78

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The denominators used in calculating diluted earnings per share for the second quarter and two fiscal quarters of 2019 each do not include 71,180 options to purchase common stock, as the effect of including these options would have been anti-dilutive. The denominators used in calculating diluted earnings per share for the second quarter and two fiscal quarters of 2019 each do not include 93,412 restricted performance shares, as the performance targets for these awards had not yet been met.

The denominators used in calculating diluted earnings per share for common stock for the second quarter and two fiscal quarters of 2018 do not include 68,760 and 90,670 options, respectively, to purchase common stock, as the effect of including these options would have been anti-dilutive. The denominators used in calculating diluted earnings per share for the second quarter and two fiscal quarters of 2018 each do not include 116,624 restricted performance shares, as the performance targets for these awards had not yet been met.

4. Changes in Stockholders' Deficit

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

	Common Stock		Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss
	Shares	Amount			
Balance at March 24, 2019	41,083,890	$ 411	$ 5,464	$ (2,976,848)	$ (4,192)
Net income	—	—	—	92,359	—
Dividends declared on common stock and equivalents ($0.65 per share)	—	—	—	(26,789)	—
Issuance and cancellation of stock awards, net	(3,079)	—	—	—	—
Tax payments for restricted stock upon vesting	(377)	—	(100)	—	—
Purchases of common stock	(12,295)	(1)	(3,308)	—	—
Exercise of stock options	164,219	2	4,751	—	—
Non-cash compensation expense	—	—	3,981	—	—
Currency translation adjustment	—	—	—	—	(16)
Balance at June 16, 2019	41,232,358	$ 412	$ 10,788	$ (2,911,278)	$ (4,208)

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

	Common Stock		Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss
	Shares	Amount			
Balance at December 30, 2018	40,977,561	$ 410	$ 569	$ (3,036,471)	$ (4,429)
Net income	—	—	—	185,009	—
Dividends declared on common stock and equivalents ($1.30 per share)	—	—	—	(53,454)	—
Issuance and cancellation of stock awards, net	5,161		—	—	—
Tax payments for restricted stock upon vesting	(9,441)	—	(2,567)	—	—
Purchases of common stock	(45,844)	(1)	(5,090)	(6,362)	—
Exercise of stock options	304,921	3	9,287	—	—
Non-cash compensation expense	—	—	8,589	—	—
Currency translation adjustment	—	—	—	—	221
Balance at June 16, 2019	41,232,358	$ 412	$ 10,788	$ (2,911,278)	$ (4,208)

Subsequent to the second quarter, on July 10, 2019, the Company's Board of Directors declared a $0.65 per share quarterly dividend on its outstanding common stock for shareholders of record as of September 13, 2019 to be paid on September 30, 2019.

The following table summarizes changes in stockholders' deficit for the second quarter of 2018.

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss
Balance at March 25, 2018	42,625,881	$ 426	$ 137	$ (2,768,591)	$ (2,836)
Net income	—	—	—	77,408	—
Dividends declared on common stock and equivalents ($0.55 per share)	—	—	—	(23,012)	—
Issuance and cancellation of stock awards, net	(1,340)	—	—	—	—
Tax payments for restricted stock upon vesting	(76)	—	(19)	—	—
Purchases of common stock	(905,556)	(9)	(6,248)	(212,726)	—
Exercise of stock options	118,784	1	1,487	—	—
Non-cash compensation expense	—	—	5,380	—	—
Currency translation adjustment	—	—	—	—	(603)
Balance at June 17, 2018	41,837,693	$ 418	$ 737	$ (2,926,921)	$ (3,439)

The following table summarizes changes in stockholders' deficit for the two fiscal quarters of 2018.

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss
Balance at December 31, 2017	42,898,329	$ 429	$ 5,654	$ (2,739,437)	$ (2,030)
Net income	—	—	—	166,235	—
Dividends declared on common stock and equivalents ($1.10 per share)	—	—	—	(46,561)	—
Issuance and cancellation of stock awards, net	7,866	—	—	—	—
Tax payments for restricted stock upon vesting	(10,237)	—	(2,318)	—	—
Purchases of common stock	(1,353,564)	(14)	(19,245)	(300,808)	—
Exercise of stock options	295,299	3	5,203	—	—
Non-cash compensation expense	—	—	11,443	—	—
Adoption of revenue recognition accounting standard	—	—	—	(6,701)	—
Currency translation adjustment	—	—	—	—	(1,058)
Reclassification adjustment for stranded taxes	—	—	—	351	(351)
Balance at June 17, 2018	41,837,693	$ 418	$ 737	$ (2,926,921)	$ (3,439)

5. Fair Value Measurements

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

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 following tables summarize the carrying amounts and fair values of certain assets at June 16, 2019 and December 30, 2018:

	At June 16, 2019			
		Fair Value Estimated Using		
	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cash equivalents	$93,178	$93,178	$ —	$ —
Restricted cash equivalents	91,476	91,476	—	—
Investments in marketable securities	10,068	10,068	—	—
Advertising fund cash equivalents, restricted	52,055	52,055	—	—
Advertising fund investments, restricted	35,000	35,000	—	—

	At December 30, 2018			
		Fair Value Estimated Using		
	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cash equivalents	$ 11,877	$ 11,877	$ —	$ —
Restricted cash equivalents	112,272	112,272	—	—
Investments in marketable securities	8,718	8,718	—	—
Advertising fund cash equivalents, restricted	31,547	31,547	—	—
Advertising fund investments, restricted	50,152	50,152	—	—

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

	June 16, 2019		December 30, 2018	
	Principal Amount	Fair Value	Principal Amount	Fair Value
2015 Ten-Year Fixed Rate Notes	$ 776,000	$ 810,920	$ 780,000	$783,120
2017 Five-Year Fixed Rate Notes	589,500	589,500	592,500	575,910
2017 Ten-Year Fixed Rate Notes	982,500	1,014,923	987,500	956,888
2017 Five-Year Floating Rate Notes	294,750	294,455	296,250	295,065
2018 7.5-Year Fixed Rate Notes	420,750	432,952	422,875	416,955
2018 9.25-Year Fixed Rate Notes	396,000	413,820	398,000	396,010

At June 16, 2019, the Company did not have any outstanding borrowings under its variable funding notes. The Company had $65.0 million outstanding under its variable funding notes at December 30, 2018. Borrowings under the variable funding notes are a variable rate loan. The fair value of this loan approximated 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 fixed and floating rate notes are classified as Level 2 measurements, as the Company estimates the fair value amount by using available market information. The Company obtained quotes from two separate brokerage firms that are knowledgeable about the Company's fixed and floating rate notes and, at times, trade these notes. The Company also performed its own internal analysis based on the information gathered from public markets, including information on notes that are similar to those of the Company. However, considerable judgment is required to interpret market data to estimate fair value. Accordingly, the fair value estimates presented are not necessarily indicative of the amount that the Company or the debtholders could realize in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values stated above.

6. Revenue Disclosures

Contract Liabilities

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

	Two Fiscal Quarters Ended	
	June 16, 2019	June 17, 2018
Contract liabilities at beginning of period	$ 19,900	$ 19,404
Revenue recognized during the period	(2,630)	(2,325)
New deferrals due to cash received and other	1,807	3,239
Contract liabilities at end of period	$ 19,077	$ 20,318

Advertising Fund Assets

As of June 16, 2019, advertising fund assets, restricted of $117.7 million consisted of $96.3 million of cash, cash equivalents and investments, $18.6 million of accounts receivable and $2.8 million of prepaid expenses. As of June 16, 2019, advertising fund cash, cash equivalents and investments included $4.3 million of cash contributed from Company-owned stores that had not yet been expended.

As of December 30, 2018, advertising fund assets, restricted of $112.7 million consisted of $95.1 million of cash, cash equivalents and investments, $15.3 million of accounts receivable and $2.3 million of prepaid expenses. As of December 30, 2018, advertising fund cash, cash equivalents and investments included $5.5 million of cash contributed from Company-owned stores that had not yet been expended.

7. Lease Disclosures

The Company leases certain retail store and supply chain center locations, supply chain vehicles and its corporate headquarters with expiration dates through 2034.

The components of operating and finance lease cost for the second quarter and two fiscal quarters of 2019 were as follows:

	Fiscal Quarter Ended June 16, 2019	Two Fiscal Quarters Ended June 16, 2019
Operating lease cost	$ 9,518	$ 20,314
Finance lease cost:		
Amortization of right-of-use assets	255	509
Interest on lease liabilities	317	796
Total finance lease cost	$ 572	$ 1,305

Rent expense totaled $15.9 million and $32.3 million in the second quarter and two fiscal quarters of 2019, respectively, and totaled $15.2 million and $30.6 million in the second quarter and two fiscal quarters of 2018, respectively. Rent expense includes operating lease cost, as well as expense for non-lease components including common area maintenance, real estate taxes and insurance for the Company's real estate leases. Rent expense also includes the variable rate per mile driven and fixed maintenance charges for the Company's supply chain center tractors and trailers and expense for short-term rentals.

Supplemental balance sheet information related to the Company's leases as of June 16, 2019 and December 30, 2018 was as follows:

	June 16, 2019	December 30, 2018
Land and buildings	$22,183	$ 22,171
Accumulated depreciation and amortization	(7,187)	(6,678)
Finance lease assets, net	$14,996	$ 15,493
Current portion of long-term debt	$ 669	$ 643
Long-term debt, less current portion	16,087	16,363
Total principal payable on finance leases	$16,756	$ 17,006

As of June 16, 2019, the weighted average remaining lease term and weighted average discount rate for the Company's operating and finance leases were as follows:

	Operating Leases	Finance Leases
Weighted average remaining lease term	8 years	14 years
Weighted average discount rate	3.9%	11.3%

Supplemental cash flow information related to leases for the second quarter and two fiscal quarters of 2019 was as follows:

	Fiscal Quarter Ended June 16, 2019	Two Fiscal Quarters Ended June 16, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 9,398	$ 20,088
Operating cash flows from finance leases	317	796
Financing cash flows from finance leases	106	261
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	13,391	26,368
Finance leases	—	—

During the first quarter of 2018, the Company renewed the lease of a supply chain center building and extended the term of the lease through 2033. As a result of the lease renewal, the Company recorded non-cash financing activities of $2.6 million for the increase in capital lease assets and liabilities during the two fiscal quarters of 2018.

Maturities of lease liabilities as of June 16, 2019 were as follows:

	Operating Leases	Finance Leases
2019	$ 19,825	$ 1,389
2020	36,827	2,416
2021	34,323	2,434
2022	31,191	2,452
2023	28,591	2,475
Thereafter	105,474	23,796
Total future minimum rental commitments	256,231	34,962
Less – amounts representing interest	(37,770)	(18,206)
Total lease liabilities	$218,461	$ 16,756

Maturities of lease liabilities as of December 30, 2018 were as follows:

	Operating Leases	Finance Leases
2019	$ 40,752	$ 2,396
2020	37,519	2,415
2021	34,538	2,433
2022	30,763	2,451
2023	27,388	2,474
Thereafter	100,310	23,781
Total future minimum rental commitments	$271,270	35,950
Less – amounts representing interest		(18,944)
Total principal payable on finance leases		$ 17,006

As of June 16, 2019, the Company has additional operating leases for supply chain center tractors and trailers and a new office building being constructed by the Company's landlord that had not yet commenced with estimated future minimum rental commitments of approximately $36.4 million. The Company has also entered into an additional finance lease for a supply chain center that had not yet commenced with estimated future minimum rental commitments of approximately $28.7 million. These leases are expected to commence in 2019 with lease terms of up to 15 years. These undiscounted amounts are not included in the tables above.

The Company has guaranteed lease payments related to certain franchisees' lease arrangements. The maximum amount of potential future payments under these guarantees is $18.2 million and $2.4 million as of June 16, 2019 and December 30, 2018, respectively. The Company does not believe these arrangements have or are likely to have a material effect on its results of operations, financial condition, revenues or expenses, capital expenditures or liquidity.

8. Legal Matters

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

9. Supplemental Disclosures of Cash Flow Information

The Company had non-cash investing activities related to accruals for capital expenditures of $4.8 million at June 16, 2019 and $3.8 million at December 30, 2018.

10. Sale of Company-owned Stores

During the second quarter of 2019, the Company sold 59 U.S. Company-owned stores to certain of its existing U.S. franchisees for proceeds of $9.7 million, of which $8.1 million was received in cash during the quarter. The remaining $1.6 million was included in short-term notes receivable as of June 16, 2019. In connection with the sale of the stores, the Company recorded a $2.4 million pre-tax loss on the sale of the related assets and liabilities, which included a $1.4 million reduction in goodwill. The loss was recorded in general and administrative expense in the Company's condensed consolidated statements of income.

11. New Accounting Pronouncements

Recently Adopted Accounting Standard

Accounting Standards Update 2016-02, Leases (Topic 842)

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)* which requires a lessee to recognize assets and liabilities on the balance sheet for leases with lease terms greater than 12 months. On December 31, 2018, the Company adopted ASC 842 using the modified retrospective method. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The adoption of ASC 842 had a material impact on the Company's assets and liabilities due to the recognition of operating lease right-of-use assets and lease liabilities on its condensed consolidated balance sheet. The Company elected the optional practical expedient to retain its current classification of leases, and accordingly, the adoption of ASC 842 did not have a material effect on the Company's condensed consolidated statement of income and condensed consolidated statement of cash flows. Refer to Note 7 for additional disclosure related to the Company's lease arrangements.

The effects of the changes made to the Company's condensed consolidated balance sheet as of December 31, 2018 for the adoption of ASC 842 were as follows:

	Balance at December 30, 2018	Adjustments Due to ASC 842	Balance at December 31, 2018
Assets			
Current assets:			
Prepaid expenses and other	$ 25,710	$ (35)	$ 25,675
Property, plant and equipment:			
Construction in progress	31,822	(1,904)	29,918
Other assets:			
Operating lease right-of-use assets	—	218,860	218,860
Liabilities and stockholders' deficit			
Current liabilities:			
Operating lease liabilities	—	32,033	32,033
Other accrued liabilities	55,001	(136)	54,865
Long-term liabilities:			
Operating lease liabilities	—	194,736	194,736
Other accrued liabilities	40,807	(9,712)	31,095

On December 31, 2018, the Company recorded an adjustment of $226.8 million for operating lease right-of-use assets and liabilities. The operating lease right-of-use assets recorded on the date of adoption were also net of a $7.9 million reclassification of other accrued liabilities and prepaid expenses representing previously deferred (prepaid) rent and lease incentives. The Company also derecognized $1.9 million of construction in progress and other long-term accrued liabilities associated with a new building that will be leased to the Company upon completion in 2019. This lease was previously accounted for as a build-to-suit arrangement under prior lease accounting guidance.

Accounting Standards Not Yet Adopted

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

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

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires a consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently assessing the impact of adopting this standard but does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

ASU 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40)

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"), which aligns the accounting for implementation costs of a cloud computing arrangement that is a service contract with the guidance on capitalizing costs associated with developing or obtaining internal-use software. ASU 2018-15 also requires companies to amortize these implementation costs over the life of the service contract in the same line in the statement of income as the fees associated with the hosting service. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently assessing the impact of adopting this standard but does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

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 2019 and 2018 second quarters referenced herein represent the twelve-week periods ended June 16, 2019 and June 17, 2018, respectively. The 2019 and 2018 two fiscal quarters referenced herein represent the twenty-four-week periods ended June 16, 2019 and June 17, 2018, respectively.

Overview

Domino's is the largest pizza company in the world based on global retail sales, with more than 16,300 locations in over 85 markets. Founded in 1960, our roots are in convenient pizza delivery, while a significant amount of our sales also come from carryout customers. Domino's generates revenues and earnings by charging royalties and fees to our independent franchisees. The Company also generates revenues and earnings by selling food, equipment and supplies to franchisees primarily in the U.S. and Canada, and by operating a number of our own stores in the U.S. Franchisees profit by selling pizza and other complementary items to their local customers. In our international markets, we generally grant geographical rights to the Domino's Pizza® brand to master franchisees. These master franchisees are charged with developing their geographical area, and they can profit by sub-franchising and selling ingredients and equipment to those sub-franchisees, as well as by running pizza stores directly. Everyone in the system can benefit, including the end consumer, who can feed their family Domino's menu items conveniently and economically.

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

	Second Quarter of 2019		Second Quarter of 2018		Two Fiscal Quarters of 2019		Two Fiscal Quarters of 2018	
Global retail sales growth	+5.1%		+12.6%		+4.8%		+14.7%	
Same store sales growth:								
U.S. Company-owned stores (1)	+2.1%		+5.1%		+2.6%		+5.8%	
U.S. franchise stores (1)	+3.1%		+7.0%		+3.5%		+7.7%	
U.S. stores	+3.0%		+6.9%		+3.5%		+7.6%	
International stores (excluding foreign currency impact)	+2.4%		+4.0%		+2.1%		+4.4%	
Store counts (at end of period):								
U.S. Company-owned stores	333		396					
U.S. franchise stores	5,612		5,296					
U.S. stores	5,945		5,692					
International stores	10,369		9,430					
Total stores	16,314		15,122					
Income statement data:								
Total revenues	$ 811.6	100.0%	$ 779.4	100.0%	$1,647.6	100.0%	$1,564.8	100.0%
Cost of sales	495.0	61.0%	485.8	62.3%	1,008.7	61.2%	971.3	62.1%
General and administrative	89.2	11.0%	86.5	11.1%	178.9	10.9%	170.7	10.9%
U.S. franchise advertising	88.5	10.9%	80.9	10.4%	177.6	10.8%	163.1	10.4%
Income from operations	138.9	17.1%	126.1	16.2%	282.4	17.1%	259.6	16.6%
Interest expense, net	(32.9)	(4.0)%	(34.9)	(4.5)%	(67.3)	(4.0)%	(64.8)	(4.1)%
Income before provision for income taxes	106.0	13.1%	91.2	11.7%	215.1	13.1%	194.9	12.5%
Provision for income taxes	13.6	1.7%	13.8	1.8%	30.1	1.9%	28.6	1.9%
Net income	$ 92.4	11.4%	$ 77.4	9.9%	$ 185.0	11.2%	$ 166.2	10.6%

(1) During the second quarter of 2019, the Company sold 59 U.S. Company-owned stores to certain of its existing U.S. franchisees. The same store sales growth for these stores is reflected in U.S. franchise stores in the second quarter and two fiscal quarters of 2019.

During the second quarter and two fiscal quarters of 2019, we experienced global retail sales growth. Our U.S. and international same store sales growth remained positive but was pressured by our current strategy to increase store concentration in certain markets where we compete.

We also continued our global expansion with the opening of 200 net new stores in the second quarter of 2019, bringing our year-to-date total to 400. We opened 158 net new stores internationally and 42 net new stores in the U.S. during the second quarter of 2019. Overall, we believe this global store growth, along with our strong sales, emphasis on technology, operations, and marketing initiatives, have combined to strengthen our brand.

Global retail sales, which are total worldwide retail sales at franchise and Company-owned stores, increased 5.1% in the second quarter of 2019 and increased 4.8% in the two fiscal quarters of 2019. These increases were driven by an increase in worldwide store counts during the trailing four quarters as well as U.S. and international same store sales growth. The negative impact of changes in foreign currency exchange rates partially offset this increase, resulting from a generally stronger U.S. dollar when compared to the currencies in the international markets in which we compete. U.S. same store sales growth reflected the sustained positive sales trends and the continued success of our products, marketing and technology platforms. International same store sales growth also reflected continued positive performance.

Total revenues increased $32.2 million, or 4.1%, in the second quarter of 2019 and increased $82.8 million, or 5.3%, in the two fiscal quarters of 2019. These increases were due primarily to higher global retail sales, which resulted in higher supply chain and global franchise revenues. The increases in international franchise revenues were partially offset by the negative impact of changes in foreign currency exchange rates. These increases in revenues were also partially offset by lower U.S. Company-owned store revenues resulting from the sale of 59 Company-owned stores to certain of our existing U.S. franchisees during the second quarter of 2019 (the "Second Quarter Store Sale"). These changes in revenues are described in more detail below.

Income from operations increased $12.8 million, or 10.1%, in the second quarter of 2019 and increased $22.8 million, or 8.8%, in the two fiscal quarters of 2019. These increases were primarily driven by higher royalty revenues from U.S. and international franchised stores, as well as higher supply chain margins. Higher investments in technological initiatives and other areas and a $2.4 million pre-tax loss related to the Second Quarter Store Sale partially offset these increases. Income from operations was also negatively impacted by changes in foreign currency exchange rates in the second quarter and the two fiscal quarters of 2019.

Net income increased $15.0 million, or 19.3%, in the second quarter of 2019 and increased $18.8 million, or 11.3%, in the two fiscal quarters of 2019, driven by higher income from operations and lower tax expense resulting primarily from higher excess tax benefits from equity-based compensation. Net income further benefited from lower interest expense in the second quarter of 2019 resulting from $3.3 million of incremental interest expense recorded in the second quarter of 2018 in connection with our recapitalization transaction completed on April 24, 2018 (the "2018 Recapitalization"). The increase in net income in the two fiscal quarters of 2019 was partially offset by higher interest expense resulting primarily from a higher average debt balance and a higher weighted average borrowing rate following the 2018 Recapitalization.

Revenues

	Second Quarter of 2019		Second Quarter of 2018		Two Fiscal Quarters of 2019		Two Fiscal Quarters of 2018	
U.S. Company-owned stores	$105.0	12.9%	$118.8	15.2%	$ 228.5	13.9%	$ 240.0	15.3%
U.S. franchise royalties and fees	95.6	11.8%	87.4	11.2%	192.3	11.7%	176.9	11.3%
Supply chain	467.6	57.6%	440.9	56.6%	939.7	57.0%	881.0	56.4%
International franchise royalties and fees	55.0	6.8%	51.3	6.6%	109.6	6.6%	103.8	6.6%
U.S. franchise advertising	88.5	10.9%	80.9	10.4%	177.6	10.8%	163.1	10.4%
Total revenues	$811.6	100.0%	$779.4	100.0%	$1,647.6	100.0%	$1,564.8	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 all of our U.S. franchised stores and certain international franchised stores. Company-owned store, franchised store and supply chain revenues may vary from period to period due to changes in store count mix. Supply chain revenues may also 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

	Second Quarter of 2019		Second Quarter of 2018		Two Fiscal Quarters of 2019		Two Fiscal Quarters of 2018	
U.S. Company-owned stores	$105.0	36.3%	$118.8	41.4%	$228.5	38.2%	$240.0	41.4%
U.S. franchise royalties and fees	95.6	33.1%	87.4	30.4%	192.3	32.1%	176.9	30.5%
U.S. franchise advertising	88.5	30.6%	80.9	28.2%	177.6	29.7%	163.1	28.1%
U.S. stores	$289.1	100.0%	$287.1	100.0%	$598.4	100.0%	$580.0	100.0%

U.S. Company-Owned Stores

Revenues from U.S. Company-owned store operations decreased $13.8 million, or 11.6%, in the second quarter of 2019 and decreased $11.5 million, or 4.8%, in the two fiscal quarters of 2019 due primarily to the Second Quarter Store Sale. These decreases in revenues were partially offset by higher same store sales. Company-owned same store sales increased 2.1% in the second quarter of 2019 and increased 2.6% in the two fiscal quarters of 2019. Company-owned same store sales increased 5.1% in the second quarter of 2018 and increased 5.8% in the two fiscal quarters of 2018.

U.S. Franchise Royalties and Fees

Revenues from U.S. franchise royalties and fees increased $8.2 million, or 9.4%, in the second quarter of 2019 and increased $15.4 million, or 8.7%, in the two fiscal quarters of 2019 due primarily to higher same store sales and an increase in the average number of U.S. franchised stores open during the period due to net store growth and, to a lesser extent, the Second Quarter Store Sale. U.S. franchise same store sales increased 3.1% in the second quarter of 2019 and increased 3.5% in the two fiscal quarters of 2019. U.S. franchise same store sales increased 7.0% in the second quarter of 2018 and increased 7.7% in the two fiscal quarters of 2018.

U.S. Franchise Advertising

Revenues from U.S. franchise advertising increased $7.6 million, or 9.4%, in the second quarter of 2019 and increased $14.5 million, or 8.9%, in the two fiscal quarters of 2019 due primarily to higher same store sales and an increase in the average number of U.S. franchised stores open during the period due to net store growth and, to a lesser extent, the Second Quarter Store Sale. U.S. franchise same store sales increased 3.1% in the second quarter of 2019 and increased 3.5% in the two fiscal quarters of 2019. U.S. franchise same store sales increased 7.0% in the second quarter of 2018 and increased 7.7% in the two fiscal quarters of 2018.

Supply Chain Revenues

	Second Quarter of 2019		Second Quarter of 2018		Two Fiscal Quarters of 2019		Two Fiscal Quarters of 2018	
U.S. supply chain	$424.6	90.8%	$399.7	90.7%	$853.3	90.8%	$798.6	90.6%
International supply chain	43.0	9.2%	41.2	9.3%	86.4	9.2%	82.4	9.4%
Total supply chain	$467.6	100.0%	$440.9	100.0%	$939.7	100.0%	$881.0	100.0%

U.S. Supply Chain

U.S. supply chain revenues increased $24.9 million, or 6.2%, in the second quarter of 2019 and increased $54.7 million, or 6.8%, in the two fiscal quarters of 2019. These increases were due primarily to higher volumes from increased orders resulting from an increase in the average number of U.S. franchise stores open during the period and an increase in market basket pricing. Our market basket pricing to stores increased 2.3% in the second quarter of 2019 and increased 2.0% in the two fiscal quarters of 2019, which resulted in an estimated increase in U.S. supply chain revenues of $5.6 million in the second quarter of 2019 and $11.8 million in the two fiscal quarters of 2019.

International Supply Chain

Revenues from international supply chain operations increased $1.8 million, or 4.4%, in the second quarter of 2019 and increased $4.0 million, or 4.9%, in the two fiscal quarters of 2019 due primarily to higher volumes from increased orders and an increase in market basket pricing. These increases in revenues were partially offset by the negative impact of changes in foreign currency exchange rates of $1.7 million in the second quarter of 2019 and $3.8 million in the two fiscal quarters of 2019.

International Franchise Royalties and Fee Revenues

Revenues from international franchise royalties and fees increased $3.7 million, or 7.1%, in the second quarter of 2019 and increased $5.8 million, or 5.6%, in the two fiscal quarters of 2019. These increases were due primarily to an increase in the average number of international stores open during the period and higher same store sales. These increases in revenues were partially offset by the negative impact of changes in foreign currency exchange rates of $3.0 million in the second quarter of 2019 and $6.6 million in the two fiscal quarters of 2019. Excluding the impact of changes in foreign currency exchange rates, international franchise same store sales increased 2.4% in the second quarter of 2019 and increased 2.1% in the two fiscal quarters of 2019. Excluding the impact of changes in foreign currency exchange rates, international franchise same store sales increased 4.0% in the second quarter of 2018 and increased 4.4% in the two fiscal quarters of 2018.

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Cost of Sales / Operating Margin

	Second Quarter of 2019		Second Quarter of 2018		Two Fiscal Quarters of 2019		Two Fiscal Quarters of 2018	
Consolidated revenues	$811.6	100.0%	$779.4	100.0%	$1,647.6	100.0%	$1,564.8	100.0%
Consolidated cost of sales	495.0	61.0%	485.8	62.3%	1,008.7	61.2%	971.3	62.1%
Consolidated operating margin	$316.7	39.0%	$293.6	37.7%	$ 639.0	38.8%	$ 593.4	37.9%

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

Consolidated operating margin (which we define as revenues less cost of sales) increased $23.1 million, or 7.9%, in the second quarter of 2019 and increased $45.6 million, or 7.7%, in the two fiscal quarters of 2019 due primarily to higher global franchise revenues and higher supply chain volumes. Franchise revenues do not have a cost of sales component, so changes in these revenues have a disproportionate effect on the operating margin.

As a percentage of revenues, the consolidated operating margin increased 1.3 percentage points in the second quarter of 2019 and increased 0.9 percentage points in the two fiscal quarters of 2019. Company-owned store operating margin increased 0.9 percentage points in the second quarter of 2019 and increased 0.1 percentage points in the two fiscal quarters of 2019. Supply chain operating margin increased 0.6 percentage points in the second quarter of 2019 and increased 0.7 percentage points in the two fiscal quarters of 2019. These changes in operating margin are more fully discussed below.

U.S. Company-Owned Stores Operating Margin

	Second Quarter of 2019		Second Quarter of 2018		Two Fiscal Quarters of 2019		Two Fiscal Quarters of 2018	
Revenues	$105.0	100.0%	$118.8	100.0%	$228.5	100.0%	$240.0	100.0%
Cost of sales	80.4	76.5%	92.0	77.4%	175.9	77.0%	185.0	77.1%
Store operating margin	$ 24.6	23.5%	$ 26.8	22.6%	$ 52.5	23.0%	$ 55.0	22.9%

The U.S. Company-owned store operating margin (which does not include certain store-level costs such as royalties and advertising) decreased $2.2 million, or 8.1%, in the second quarter of 2019 and decreased $2.5 million, or 4.4%, in the two fiscal quarters of 2019 due primarily to the Second Quarter Store Sale. Operating margin in both the second quarter and the two fiscal quarters of 2019 was also negatively impacted by higher labor costs, partially offset by higher same store sales. As a percentage of store revenues, the store operating margin increased 0.9 percentage points in the second quarter of 2019 and increased 0.1 percentage points in the two fiscal quarters of 2019. These changes in operating margin as a percentage of revenues are discussed in more detail below.

- Food costs decreased 0.6 percentage points to 26.9% in the second quarter of 2019 and decreased 0.4 percentage points to 27.0% in the two fiscal quarters of 2019 due primarily to the leveraging of higher same store sales and improvements in efficiency. These decreases were partially offset by higher food prices.
- Labor costs decreased 0.6 percentage points to 29.4% in the second quarter of 2019 and increased 0.4 percentage points to 30.2% in the two fiscal quarters of 2019. The Second Quarter Store Sale contributed to the reduction in labor costs as a percentage of store revenues in both the second quarter and two fiscal quarters of 2019 due to the high labor rates in the market in which the sold stores operated. These decreases were partially offset in the second quarter of 2019 and fully offset in the two fiscal quarters of 2019 by an increase in average labor rates in our remaining Company-owned store markets.

Supply Chain Operating Margin

	Second Quarter of 2019		Second Quarter of 2018		Two Fiscal Quarters of 2019		Two Fiscal Quarters of 2018	
Revenues	$467.6	100.0%	$440.9	100.0%	$939.7	100.0%	$881.0	100.0%
Cost of sales	414.6	88.7%	393.8	89.3%	832.7	88.6%	786.3	89.3%
Supply chain operating margin	$ 53.0	11.3%	$ 47.1	10.7%	$106.9	11.4%	$ 94.7	10.7%

The supply chain operating margin increased $5.9 million, or 12.5%, in the second quarter of 2019 and increased $12.2 million, or 13.0%, in the two fiscal quarters of 2019, primarily driven by higher volumes from increased orders. As a percentage of supply chain revenues, the supply chain operating margin increased 0.6 percentage points in the second quarter of 2019 and increased 0.7 percentage points in the two fiscal quarters of 2019 due primarily to procurement savings and lower insurance expense, offset in part by higher labor costs.

General and Administrative Expenses

General and administrative expenses increased $2.7 million, or 3.2%, in the second quarter of 2019 and increased $8.2 million, or 4.8%, in the two fiscal quarters of 2019, driven by continued investments in technological initiatives and other areas. A $2.4 million pre-tax loss related to the Second Quarter Store Sale also contributed to the increases.

U.S. Franchise Advertising Expenses

U.S. franchise advertising expenses increased $7.6 million, or 9.4%, in the second quarter of 2019 and increased $14.5 million, or 8.9%, in the two fiscal quarters of 2019 due to higher U.S. franchise advertising revenues. U.S. franchise advertising costs are accrued and expensed when the related U.S. franchise advertising revenues are recognized, as our consolidated not-for-profit advertising fund is obligated to expend such revenues on advertising and these revenues cannot be used for general corporate purposes.

Interest Expense, Net

Interest expense, net decreased $2.0 million, or 5.7%, in the second quarter of 2019 and increased $2.5 million, or 3.9%, in the two fiscal quarters of 2019. The decrease in interest expense, net in the second quarter of 2019 resulted from $3.3 million of incremental interest expense recorded in the second quarter of 2018 in connection with the 2018 Recapitalization. This decrease was partially offset in the second quarter of 2019 and more than offset in the two fiscal quarters of 2019 by a higher weighted average debt balance, driven primarily by higher average borrowings resulting from the 2018 Recapitalization and outstanding borrowings under our variable funding notes. A higher weighted average borrowing rate also contributed to higher interest expense during the second quarter and two fiscal quarters of 2019.

The Company's weighted average borrowing rate increased to 4.1% in both the second quarter and the two fiscal quarters of 2019, from 4.0% in the second quarter of 2018 and 3.9% in the two fiscal quarters of 2018, resulting from the higher interest rates on the debt outstanding in 2019 as compared to the same periods in 2018.

Provision for Income Taxes

Provision for income taxes decreased $0.2 million, or 1.2%, in the second quarter of 2019 and increased $1.5 million, or 5.2%, in the two fiscal quarters of 2019. Higher pre-tax income contributed to higher tax expense in both the second quarter and the two fiscal quarters of 2019, but these increases were fully offset in the second quarter of 2019 and partially offset in the two fiscal quarters of 2019 by higher excess tax benefits from equity-based compensation. The effective tax rate decreased to 12.9% in the second quarter of 2019 and decreased to 14.0% in the two fiscal quarters of 2019 as compared to 15.1% in the second quarter of 2018 and 14.7% in the two fiscal quarters of 2018.

Liquidity and Capital Resources

Historically, we have operated with minimal positive working capital or negative working capital, primarily because our receivable collection periods and inventory turn rates are faster than the normal payment terms on our current liabilities. We generally collect our receivables within three weeks from the date of the related sale, and we generally experience 35 to 45 inventory turns per year. In addition, our sales are not typically seasonal, which further limits our working capital requirements. The use of our ongoing cash flows from operations to service our debt obligations, invest in our business, pay dividends and repurchase our common stock reduces our working capital amounts. As of June 16, 2019, we had working capital of $73.5 million, excluding restricted cash and cash equivalents of $152.7 million, advertising fund assets, restricted, of $117.7 million and advertising fund liabilities of $113.4 million. Working capital includes total unrestricted cash and cash equivalents of $108.3 million.

During the second quarter and two fiscal quarters of 2019, we experienced increases in both U.S. and international same store sales versus the comparable periods in the prior year. Additionally, our international and U.S. businesses grew store counts in the second quarter and the two fiscal quarters of 2019. These factors contributed to our continued ability to generate positive operating cash flows. We expect to continue to use our unrestricted cash and cash equivalents, cash flows from operations, excess cash from our recapitalization transactions and available borrowings under our variable funding notes to, among other things, fund working capital requirements, invest in our core business, service our indebtedness, pay dividends and repurchase our common stock. We did not have any material commitments for capital expenditures as of June 16, 2019.

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

Restricted Cash

As of June 16, 2019, we had approximately $115.9 million of restricted cash held for future principal and interest payments and other working capital requirements of our asset-backed securitization structure, $36.6 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 $152.7 million of restricted cash and cash equivalents. As of June 16, 2019, we also held $61.3 million of advertising fund restricted cash and cash equivalents, which can only be used for activities that promote the Domino's Pizza brand.

Long-Term Debt

As of June 16, 2019, we had approximately $3.45 billion of long-term debt, of which $35.9 million was classified as a current liability. Our fixed and floating rate notes from the recapitalizations we completed in 2018, 2017 and 2015 have original scheduled principal payments of $17.6 million in the remainder of 2019, $35.3 million in each of 2020 and 2021, $888.0 million in 2022, $26.3 million in each of 2023 and 2024, $1.14 billion in 2025, $14.0 million in 2026 and $1.27 billion in 2027. As of June 16, 2019, we had no outstanding borrowings under our variable funding notes and $126.9 million available for borrowing, net of letters of credit issued of $48.1 million. The letters of credit are primarily related to our casualty insurance programs and supply chain center leases. Borrowings under the variable funding notes are available to fund our working capital requirements, capital expenditures and, subject to other limitations, other general corporate purposes including dividend payments and repurchases of our common stock.

Share Repurchase Programs

Our open market share repurchase programs have historically been funded by excess cash flows. On February 14, 2018, our Board of Directors authorized a share repurchase program to repurchase up to $750.0 million of the Company's common stock. During the second quarter of 2019, we repurchased and retired 12,295 shares of our common stock under our Board of Directors-approved open market share repurchase program for a total of approximately $3.3 million, or an average price of $269.14 per share. During the two fiscal quarters of 2019, we repurchased and retired 45,844 shares of our common stock under our Board of Directors-approved open market share repurchase program for a total of approximately $11.5 million, or an average price of $249.82 per share. As of June 16, 2019, we had a total remaining authorized amount for share repurchases of approximately $147.3 million.

During the second quarter of 2018, we repurchased and retired 905,556 shares of our common stock under our Board of Directors-approved open market share repurchase program for a total of approximately $219.0 million, or an average price of $241.82 per share. During the two fiscal quarters of 2018, we repurchased and retired 1,353,564 shares of our common stock under our Board of Directors-approved open market share repurchase program for a total of approximately $320.1 million, or an average price of $236.46 per share.

Dividends

On March 29, 2019, the Company paid a $0.65 dividend to its shareholders of record as of March 15, 2019. During the second quarter of 2019, on April 23, 2019, the Company's Board of Directors declared a $0.65 per share quarterly dividend on its outstanding common stock for shareholders of record as of June 14, 2019, which was paid on June 28, 2019.

Subsequent to the second quarter, on July 10, 2019, the Company's Board of Directors declared a $0.65 per share quarterly dividend on its outstanding common stock for shareholders of record as of September 13, 2019 to be paid on September 30, 2019.

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

(In millions)	Two Fiscal Quarters of 2019	Two Fiscal Quarters of 2018
Cash Flows Provided By (Used In)		
Net cash provided by operating activities	$ 201.6	$ 154.7
Net cash used in investing activities	(2.5)	(43.8)
Net cash used in financing activities	(114.3)	(30.1)
Exchange rate changes	0.1	(0.1)
Change in cash and cash equivalents, restricted cash and cash equivalents	$ 84.8	$ 80.7

Operating Activities

Cash provided by operating activities increased $46.9 million in the two fiscal quarters of 2019 due to the positive impact of changes in operating assets and liabilities of $26.1 million, an increase in net income of $18.8 million and higher non-cash amounts of $2.0 million. The positive impact of changes in operating assets and liabilities was primarily related to the timing of receipts on accounts receivable and timing of payments on accounts payable during 2019 as compared to 2018 and was partially offset by the negative impact of changes in advertising fund assets and liabilities, restricted in 2019 as compared to 2018.

Investing Activities

Cash used in investing activities was $2.5 million in the two fiscal quarters of 2019, which consisted primarily of $25.7 million of capital expenditures (driven primarily by investments in technological initiatives and supply chain centers). This use of cash was partially offset by maturities of advertising fund investments, restricted of $15.2 million and proceeds from the sale of assets of $8.2 million, which primarily related to the Second Quarter Store Sale.

Cash used in investing activities was $43.8 million in the two fiscal quarters of 2018, which consisted primarily of $37.3 million of capital expenditures (driven primarily by investments in technological initiatives, supply chain centers and Company-owned stores) and purchases of restricted advertising fund investments of $35.2 million. These uses of cash were partially offset by maturities of restricted advertising fund investments of $29.0 million.

Financing Activities

Cash used in financing activities was $114.3 million in the two fiscal quarters of 2019, primarily related to repayments of long-term debt of $82.9 million (of which $65.0 million related to the repayment of borrowings under our variable funding notes), dividend payments to our shareholders of $26.7 million, purchases of common stock of $11.5 million under our Board of Directors-approved open market share repurchase program and tax payments for restricted stock upon vesting of $2.6 million. These uses of cash were partially offset by proceeds from the exercise of stock options of $9.3 million.

Cash used in financing activities was $30.1 million in the two fiscal quarters of 2018. We issued $825.0 million of debt in connection with our 2018 Recapitalization and borrowed $80.0 million under our variable funding notes. However, these increases in cash were offset by repayments of long-term debt of $586.1 million (of which $490.0 million was an optional prepayment on our 2015 five-year fixed rate notes using a portion of the proceeds received from the 2018 Recapitalization and $80.0 million related to the repayment of the borrowings under our variable funding notes), purchases of common stock of $320.1 million, dividend payments to our shareholders of $23.5 million, and cash paid for financing costs related to our 2018 Recapitalization of $8.2 million. We also made $2.3 million in tax payments for restricted stock upon vesting and received proceeds of $5.2 million from the exercise of stock options.

Forward-Looking Statements

This filing contains various forward-looking statements about the Company within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act") that are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. The following cautionary statements are being made pursuant to the provisions of the Act and with the intention of obtaining the benefits of the "safe harbor" provisions of the Act. You can identify forward-looking statements by the use of words such as "anticipates," "believes," "could," "should," "estimates," "expects," "intends," "may," "will," "plans," "predicts," "projects," "seeks," "approximately," "potential," "outlook" and similar terms and phrases that concern our strategy, plans or intentions, including references to assumptions. These forward-looking statements address various matters including information concerning future results of operations and business strategy, our anticipated profitability, estimates in same store sales growth, the growth of our U.S. and international business, ability to service our indebtedness, our future cash flows, our operating performance, trends in our business and other descriptions of future events reflect the Company's expectations based upon currently available information and data. While we believe these expectations and projections are based on reasonable assumptions, such forward-looking statements are inherently subject to risks, uncertainties and assumptions. Important factors that could cause actual results to differ materially from our expectations are more fully described in our other filings with the Securities and Exchange Commission, including under the section headed "Risk Factors" in our Annual Report on 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; the effectiveness of our advertising, operations and promotional initiatives; the strength of our brand, including our ability to compete in the U.S. and internationally in our intensely competitive industry; the impact of social media and other consumer-oriented technologies on our business, brand and reputation; new product, digital ordering and concept developments by us, and other food-industry competitors; our ability to maintain good relationships with our franchisees and their ongoing level of profitability; our ability to successfully implement cost-saving strategies; our ability and that of our franchisees to successfully operate in the current and future credit environment; changes in the level of consumer spending given general economic conditions, including interest rates, energy prices and consumer confidence; our ability and that of our franchisees to open new restaurants and keep existing restaurants in operation; changes in operating expenses resulting from changes in prices of food (particularly cheese), fuel and other commodity costs, labor, utilities, insurance, employee benefits and other operating costs; the impact that widespread illness or general health concerns, severe weather conditions and natural disasters may have on our business and the economies of the countries where we operate; changes in foreign currency exchange rates; our ability to retain or replace our executive officers and other key members of management and our ability to adequately staff our stores and supply chain centers with qualified personnel; our ability to find and/or retain suitable real estate for our stores and supply chain centers; changes in government legislation and regulations, including changes in laws and regulations regarding information privacy and consumer protection; adverse legal judgments or settlements; food-borne illness or contamination of products; data breaches, power loss, technological failures, user error or other cyber risks; the effect of war, terrorism or catastrophic events; our ability to pay dividends and repurchase shares; changes in consumer preferences, spending and traffic patterns and demographic trends; changes in accounting policies; and adequacy of our insurance coverage. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this filing might not occur. All forward-looking statements speak only as of the date of this filing and should be evaluated with an understanding of their inherent uncertainty. Except as required under federal securities laws and the rules and regulations of the Securities and Exchange Commission, or other applicable law, we will not undertake and specifically disclaim any obligation to publicly update or revise any forward-looking statements to reflect events or circumstances arising after the date of this filing, whether as a result of new information, future events or otherwise. You are cautioned not to place undue reliance on the forward-looking statements included in this filing or that may be made elsewhere from time to time by, or on behalf of, us. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market Risk

We do not engage in speculative transactions nor do we hold or issue financial instruments for trading purposes. In connection with the recapitalizations of our business, we issued fixed and floating rate notes and entered into variable funding notes and, at June 16, 2019, we are exposed to interest rate risk on borrowings under our floating rate notes and variable funding notes. As of June 16, 2019, we had no outstanding borrowings under our variable funding notes. Our floating rate notes and our variable funding notes bear interest at fluctuating interest rates based on LIBOR.

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

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

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

We have exposure to various foreign currency exchange rate fluctuations for revenues generated by our operations outside the U.S., which can adversely impact our net income and cash flows. Approximately 6.8% of our total revenues in the second quarter of 2019, approximately 6.6% of our total revenues in the two fiscal quarters of 2019, and approximately 6.6% of our total revenues in both the second quarter and two fiscal quarters of 2018 were derived from our international franchise segment, a majority of which were denominated in foreign currencies. We also operate dough manufacturing and distribution facilities in Canada, which generate revenues denominated in Canadian dollars. We do not enter into financial instruments to manage this foreign currency exchange rate risk. A hypothetical 10% adverse change in the foreign currency exchange rates for our international markets would have resulted in a negative impact on royalty revenues of approximately $9.6 million in the two fiscal quarters of 2019.

Item 4. Controls and Procedures.

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

During the quarterly period ended June 16, 2019, there were no changes in the Company’s internal controls over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended, that have materially affected or are reasonably likely to materially affect the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

As previously disclosed in our 2018 Form 10-K, on February 14, 2011, Domino's Pizza LLC was named as a defendant in a lawsuit along with Fischler Enterprises of C.F., Inc., a franchisee, and Jeffrey S. Kidd, the franchisee's delivery driver, filed by Yvonne Wiederhold, the plaintiff, as Personal Representative of the Estate of Richard E. Wiederhold, deceased. The case involved a traffic accident in which the franchisee's delivery driver is alleged to have caused an accident involving a vehicle driven by Richard Wiederhold. Mr. Wiederhold sustained spinal injuries resulting in quadriplegia and passed away several months after the accident. The case went to trial in 2016 and the Company was found liable, but the verdict was reversed by the Florida Fifth District Court of Appeals in May 2018 and was remanded to the Ninth Judicial Circuit Court of Florida for a new trial. The case was tried again in June 2019 and the jury returned an $9.0 million judgment for the plaintiff where the Company and Mr. Kidd were found to be 100% liable (after certain offsets and other deductions the final verdict was $8.0 million). The Company continues to deny liability and has filed post-judgment motions with the ultimate intention of filing another appeal of the verdict, if necessary.

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 in the risk factors previously disclosed in our 2018 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 (in thousands)
Period #4 (March 25, 2019 to April 21, 2019)	1,909	$ 247.89	—	$ 150,645
Period #5 (April 22, 2019 to May 19, 2019)	13,577	269.56	12,295	147,336
Period #6 (May 20, 2019 to June 16, 2019)	1,348	283.44	—	147,336
Total	16,834	$ 268.22	12,295	$ 147,336

(1) 4,539 shares in the second quarter of 2019 were purchased as part of the Company's employee stock payroll deduction plan at an average price of $265.71.

(2) As previously disclosed, on February 14, 2018, the Company's Board of Directors authorized a $750.0 million share repurchase program, which has no expiration date. As of June 16, 2019, the Company had approximately $147.3 million remaining for future share repurchases under this 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.

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Item 6. Exhibits.

Exhibit Number	Description
10.1	Thirteenth Amendment to a Lease Agreement between Domino's Farms Office Park, L.L.C. and Domino's Pizza LLC, dated as of May 14, 2019.
10.2	Fourteenth Amendment to a Lease Agreement between Domino's Farms Office Park, L.L.C. and Domino's Pizza LLC, dated as of May 31, 2019.
31.1	Certification by Richard E. Allison, Jr. pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.
31.2	Certification by Jeffrey D. Lawrence pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.
32.1	Certification by Richard E. Allison, Jr. pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.
32.2	Certification by Jeffrey D. Lawrence 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.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

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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: July 16, 2019

/s/ Jeffrey D. Lawrence
Jeffrey D. Lawrence
Executive Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 10.1

AMENDMENT #13 TO A LEASE AGREEMENT
BETWEEN DOMINO'S FARMS OFFICE PARK LLC
(LANDLORD) AND DOMINO'S PIZZA LLC (TENANT)

THIS AMENDMENT #13 TO A LEASE AGREEMENT is made as of May 14, 2019 by and between DOMINO'S FARMS OFFICE PARK LLC, a Michigan Limited Liability Company, f/k/a Domino's Farms Office Park Limited Partnership (Landlord) and DOMINO'S PIZZA LLC (Tenant).

WHEREAS, Landlord entered into a Lease Agreement (the Lease) for a portion of the office building known as Domino's Farms Prairie House located at 30 Frank Lloyd Wright Drive, Ann Arbor, Michigan 48106 with Domino's Pizza, Inc., whose successor in interest is Domino's Pizza LLC (Tenant), for a term of five (5) years commencing as of December 21, 1998; and

WHEREAS, via a First Amendment to Lease dated August 8, 2002, Landlord and Tenant extended the term of the Lease Agreement, included additional space as a part of the Premises, and incorporated additional provisions; and

WHEREAS, via a Second Amendment to Lease dated May 5, 2004, Landlord and Tenant amended the Lease by replacing Section B (Premises) of the First Amended Standard Lease Summary; and

WHEREAS, via a Third Amendment to Lease dated November 18, 2009, Landlord and Tenant amended the Lease to clarify actual size of the warehouse and to add an additional 4,790 usable square feet of space, and

WHEREAS, via a Fourth Amendment to Lease dated April, 2010, Landlord and Tenant amended the Lease for the temporary lease of additional space, and

WHEREAS, via a further amendment mistakenly captioned as the "Fourth Amendment to Lease" dated August 28, 2012, Landlord and Tenant amended the Lease to expand the primary Premises and extend the Term of the Lease, and

WHEREAS, via a Fifth Amendment to Lease dated February 2015, Landlord and Tenant amended the Lease for the temporary lease of additional space, and

WHEREAS, via a Sixth Amendment to Lease, Landlord and Tenant amended the Lease in February 2015 to expand the primary Premises, and

WHEREAS, via a Seventh Amendment to Lease dated April 2016, Tenant absorbed an additional 6,448 rentable square feet (5,607 usable square feet) located at Lobby H on Level 3, and

WHEREAS, via an Eighth Amendment to Lease dated November 4, 2016 Tenant absorbed an additional 15,700 rentable square feet (13,652 usable square feet) located at Lobby D on Level 3, and

WHEREAS, via a Ninth Amendment to Lease dated February 16, 2017, Tenant absorbed an additional 9,343 rentable square feet (8,124 usable square feet) located at Lobby K on Level 1, and

WHEREAS, via a Tenth Amendment to Lease dated October 2017, Tenant expanded to the south of Premises on the third level into the space formerly occupied by IBM equal to 8,188 rentable square feet (7,120 usable square feet), and

WHEREAS, via Amendment #11 to Lease dated July 17, 2018, Tenant extended the Term for the Lease to be concurrent with Amendment #12, and

WHEREAS, via Amendment #12 dated July 17, 2018, Tenant desired to lease additional space, and Landlord agreed to construct a building called "the Innovation Garage" and leased same to Tenant for a period of 10 years, and

WHEREAS, Tenant has agreed to lease additional space in the Prairie House on a temporary basis to be used for an IT workroom,

NOW, THEREFORE, Landlord and Tenant agree to the following:

PREMISES

1,577 rentable square feet, equal to 1,371 usable square feet plus a 15% common area factor, as shown on the attached exhibit. Said space is located in close proximity to the North Dock, on Level 1 at Lobby L.

TERM

The term of the lease for this additional space shall begin on May 13, 2019 and expire on May 12, 2020.

CONDITION OF SPACE

Tenant shall accept space in current configuration and condition, broom clean expected. Tenant shall be responsible any necessary improvements to customize the space for its intended use.

BASE RENT

The rent for the additional space shall be paid in a lump sum payment of $31,540, and shall be due at commencement of lease term.

OPTION TO RENEW

Upon expiration of the initial term as stated in this Amendment #13 to Lease, Tenant may extend the term of this Lease on a month-to-month basis. The Tenant shall exercise said option by notifying the Landlord at least thirty days before the existing Term expires. The base annual rent for each month during a potential second year shall increase to reflect the cost of living increase in accordance with any increase in the Consumers Price Index of the Bureau of Labor Statistics all items indexed for Detroit, Michigan or by three percent (3%), whichever is less, provided however, in no event shall the annual rent as adjusted be reduced from the previous year.

SURVIVAL OF LEASE

Except as set forth in this Amendment, all other terms and conditions of the Lease shall remain the same and unchanged in full force and effect.

IN WITNESS WHEREOF, the parties have hereunto executed this AMENDMENT #13 TO LEASE AGREEMENT as of the day and year first above written.

TENANT:
DOMINO'S PIZZA LLC
(a Michigan limited liability company)

By: /s/ Jeffrey D. Lawrence
Jeffrey D. Lawrence
Its: Chief Financial Officer

LANDLORD:
DOMINO'S FARMS OFFICE PARK LLC
(a Michigan limited liability company)

By: /s/ Paul R. Roney
Paul R. Roney
Its: Manager

EXHIBIT 10.2

AMENDMENT #14 TO A LEASE AGREEMENT
BETWEEN DOMINO'S FARMS OFFICE PARK LLC
(LANDLORD) AND DOMINO'S PIZZA LLC (TENANT)

THIS AMENDMENT #14 TO A LEASE AGREEMENT is made as of May 31, 2019 by and between DOMINO'S FARMS OFFICE PARK LLC, a Michigan Limited Liability Company, f/k/a Domino's Farms Office Park Limited Partnership (Landlord) and DOMINO'S PIZZA LLC (Tenant).

WHEREAS, Landlord entered into a Lease Agreement (the Lease) for a portion of the office building known as Domino's Farms Prairie House located at 30 Frank Lloyd Wright Drive, Ann Arbor, Michigan 48106 with Domino's Pizza, Inc., whose successor in interest is Domino's Pizza LLC (Tenant), for a term of five (5) years commencing as of December 21, 1998; and

WHEREAS, via a First Amendment to Lease dated August 8, 2002, Landlord and Tenant extended the term of the Lease Agreement, included additional space as a part of the Premises, and incorporated additional provisions; and

WHEREAS, via a Second Amendment to Lease dated May 5, 2004, Landlord and Tenant amended the Lease by replacing Section B (Premises) of the First Amended Standard Lease Summary; and

WHEREAS, via a Third Amendment to Lease dated November 18, 2009, Landlord and Tenant amended the Lease to clarify actual size of the warehouse and to add an additional 4,790 usable square feet of space, and

WHEREAS, via a Fourth Amendment to Lease dated April, 2010, Landlord and Tenant amended the Lease for the temporary lease of additional space, and

WHEREAS, via a further amendment mistakenly captioned as the "Fourth Amendment to Lease" dated August 28, 2012, Landlord and Tenant amended the Lease to expand the primary Premises and extend the Term of the Lease, and

WHEREAS, via a Fifth Amendment to Lease dated February 2015, Landlord and Tenant amended the Lease for the temporary lease of additional space, and

WHEREAS, via a Sixth Amendment to Lease, Landlord and Tenant amended the Lease in February 2015 to expand the primary Premises, and

WHEREAS, via a Seventh Amendment to Lease dated April 2016, Tenant absorbed an additional 6,448 rentable square feet (5,607 usable square feet) located at Lobby H on Level 3, and

WHEREAS, via an Eighth Amendment to Lease dated November 4, 2016 Tenant absorbed an additional 15,700 rentable square feet (13,652 usable square feet) located at Lobby D on Level 3, and

WHEREAS, via a Ninth Amendment to Lease dated February 16, 2017, Tenant absorbed an additional 9,343 rentable square feet (8,124 usable square feet) located at Lobby K on Level 1, and

WHEREAS, via a Tenth Amendment to Lease dated October 2017, Tenant expanded to the south of Premises on the third level into the space formerly occupied by IBM equal to 8,188 rentable square feet (7,120 usable square feet), and

WHEREAS, via Amendment #11 to Lease dated July 17, 2018, Tenant extended the Term for the Lease to be concurrent with Amendment #12, and

WHEREAS, via Amendment #12 dated July 17, 2018, Tenant desired to lease additional space, and Landlord agreed to construct a building called “the Innovation Garage” and leased same to Tenant for a period of 10 years, and

WHEREAS, via Amendment #13 dated May 14, 2019, Tenant has agreed to lease additional space in the Prairie House on a temporary basis to be used for an IT workroom, and

WHEREAS Tenant has requested to modify the term of one leased suite and return three (3) additional suites back to the Landlord,

NOW, THEREFORE, Landlord and Tenant agree to the following:

1) Suite K-1100 (9th Amendment) will become a part of the primary Premises and its term shall be concurrent with same.

2) Suite H-3300 (7th Amendment) will be returned to the Landlord effective August 1, 2019. Upon return of Suite H-3300, the Office Space, Lab Space and Conference Center square footage shall effectively be reduced by 5,607 usable square feet, which equates to 6,448 rentable square feet.

3) Suite J-1050 (5th Amendment) will be returned to the Landlord effective June 1, 2019. Upon return of Suite J-1050, the Office Space, Lab Space and Conference Center square footage shall effectively be reduced by 2,321 usable square feet, which equates to 2,669 rentable square feet.

4) Suite A-3200 (10th Amendment) will be returned to the Landlord effective January 1, 2020. Upon return of Suite A-3200, the Office Space, Lab Space and Conference Center square footage shall effectively be reduced by 7,120 usable square feet, which equates to 8,188 rentable square feet.

The Base Rent shall be adjusted according to the release dates named above.

SURVIVAL OF LEASE

Except as set forth in this Amendment #14 to Lease Agreement, all other terms and conditions of the Lease shall remain the same and unchanged in full force and effect.

IN WITNESS WHEREOF, the parties have hereunto executed this AMENDMENT #14 TO LEASE AGREEMENT as of the day and year first above written.

TENANT: **DOMINO'S PIZZA LLC** (a Michigan limited liability company)	**LANDLORD:** **DOMINO'S FARMS OFFICE PARK LLC** (a Michigan limited liability company)
By: /s/ Richard E. Allison, Jr. Richard E. Allison, Jr. Its: Chief Executive Officer	By: /s/ Paul R. Roney Paul R. Roney Its: Manager

EXHIBIT 31.1

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

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

1. I have reviewed this quarterly report on Form 10-Q of Domino's Pizza, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 16, 2019	/s/ Richard E. Allison, Jr.
Date	Richard E. Allison, Jr. Chief Executive Officer

EXHIBIT 31.2

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

I, Jeffrey D. Lawrence, 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.

July 16, 2019	/s/ Jeffrey D. Lawrence
Date	Jeffrey D. Lawrence
	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 June 16, 2019, as filed with the Securities and Exchange Commission (the "Report"), I, Richard E. Allison, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

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

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

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

Dated: July 16, 2019

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 June 16, 2019, as filed with the Securities and Exchange Commission (the “Report”), I, Jeffrey D. Lawrence, 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/ Jeffrey D. Lawrence
Jeffrey D. Lawrence
Chief Financial Officer

Dated: July 16, 2019

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.