# Domino's Pizza Announces Record Third Quarter Results

ANN ARBOR, Michigan – October 23, 2002 – Domino's, Inc., the recognized leader in pizza delivery, today announced record results for the third quarter of 2002, which ended September 8, 2002.

*Financial Highlights*

The following are highlights for the third quarter of 2002 compared to the same period in 2001.

- Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 10.4% to a third quarter record of $39.8 million.
- Net income increased 36.2% to $10.8 million.
- Domestic same store sales decreased 0.5%, comprised of a 0.4% decrease in domestic franchise same store sales and a 1.4% decrease in domestic Company-owned same store sales.
- International same store sales increased 4.0%, on a constant dollar basis, marking the 35th consecutive quarter of international same store sales growth.
- System-wide sales increased 2.6% to $879.0 million.
- The Company repaid $11.8 million of debt during the third quarter of 2002, bringing total debt repayments over the most recent four fiscal quarters to nearly $55 million.

"We are pleased to report another quarter of record earnings," said Domino's Chairman and Chief Executive Officer David A. Brandon. "Our ability to achieve record results in such a difficult economic environment demonstrates the strength of both our brand and our business model."

"During the third quarter, we introduced Domino's Pizza Buffalo Chicken Kickers™ throughout the U.S.", Brandon continued. "Initial results are very promising and it appears as though large numbers of consumers enjoy the unique value, taste and variety this new product brings to our menu."

*Financial Summaries*

| | **Fiscal Quarter Ended** | | | **Three Fiscal Quarters Ended** | | |
|---|---|---|---|---|---|---|
| ***(Dollars in millions)*** | **September 8, 2002** | **September 9, 2001** | **% Change** | **September 8, 2002** | **September 9, 2001** | **% Change** |
| System-wide sales | $ 879.0 | $ 856.8 | 2.6% | $ 2,730.9 | $ 2,588.1 | 5.5% |
| Total revenues | 277.1 | 289.5 | (4.3) | 879.2 | 860.8 | 2.1 |
| EBITDA | 39.8 | 36.0 | 10.4 | 127.2 | 109.4 | 16.3 |
| Income from operations | 34.2 | 28.5 | 19.9 | 103.5 | 87.2 | 18.8 |
| Net income | 10.8 | 7.9 | 36.2 | 37.5 | 24.6 | 52.4 |

The increase in third quarter system-wide sales is due primarily to an increase in international same store sales and store counts, offset in part by a slight decrease in domestic same store sales. The increase in year-to-date system-wide sales is due primarily to increases in both domestic and international same store sales and worldwide store counts.

The decrease in third quarter total revenues is due primarily to a decrease in domestic distribution revenues as a result of an overall reduction in food basket prices, including lower cheese prices, as compared to the same period in 2001. In addition, third quarter revenues were adversely impacted by a decrease in domestic same store sales. During the third quarter, domestic same store sales decreased 0.5%, comprised of a 0.4% decrease in domestic franchise same store sales and a 1.4% decrease in domestic Company-owned same store sales.

The increase in year-to-date total revenues in 2002 is due primarily to increases in domestic and international same store sales and related increases in distribution volumes. Distribution revenues were negatively impacted by lower food basket prices, including lower cheese prices. During the first three quarters of 2002, domestic same store sales increased 3.8%, comprised of a 4.1% increase in domestic franchise same store sales and a 1.8% increase in domestic Company-owned same store sales, and international same store sales increased 4.1%, on a constant dollar basis.

The increase in third quarter EBITDA is due primarily to a decrease in food basket costs, including lower cheese costs, at our Company-owned stores. This increase in EBITDA was offset in part by an increase in insurance costs.

The increase in year-to-date EBITDA is due primarily to strong system-wide sales growth as a result of increases in domestic and international same store sales and lower food basket costs at our Company-owned stores. We also benefited from an increase in distribution volumes as a result of increased domestic sales activity. These EBITDA gains were offset in part by increases in insurance costs.

The increases in third quarter and year-to-date net income are due primarily to increases in EBITDA, reduction in our interest costs due to lower debt levels and more favorable interest rates, the favorable impact of no longer amortizing goodwill and the absence of certain covenant not-to-compete amortization expenses related to an asset that was fully amortized by the end of 2001. These increases in net income were offset in part by a $4.5 million write-off of financing fees through interest expense related to the Company's refinancing of its senior credit facility and increases in provision for income taxes due to increases in pre-tax income. The year-to-date increase in net income was also offset in part by the write-off of $5.3 million of capitalized software costs during the second quarter of 2002. Year-to-date total revenues continue to grow at a faster rate than total general and administrative expenses, reflecting management's commitment to continuous process improvement throughout the Company.

Domino's Chairman David A. Brandon also reported that Domino's Pizza Founder Thomas S. Monaghan, who had been serving as an inactive member of the Company's Board of Directors, has chosen to retire. Mr. Monaghan will no longer be serving the Company in any official capacity.

Founded in 1960, Domino's Pizza operates a network of 7,138 Company-owned and franchise stores in the United States and more than 50 international countries. For more information about the Company, visit our website at http://www.dominos.com/.

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*Use of Pro Forma Financial Information*

EBITDA represents earnings before interest, taxes, depreciation, amortization, gain (loss) on sale/disposal of assets, and gain (loss) on debt extinguishment. EBITDA information is provided as we use it extensively in internal management reporting to evaluate our business segments, we believe it assists the investing community in evaluating our company, and it is an important measure in our debt agreements. EBITDA should not be considered as an alternative to cash flow from operating activities as a measure of liquidity, as an alternative to income from operations or net income as a measure of our financial performance, or as an alternative to any other measure of performance in accordance with accounting principles generally accepted in the United States.

The following table reconciles EBITDA to consolidated income before provision for income taxes (in thousands):

| | Fiscal Quarter Ended | | Three Fiscal Quarters Ended | |
|---|---|---|---|---|
| | **September 8, 2002** | **September 9, 2001** | **September 8, 2002** | **September 9, 2001** |
| Total EBITDA | $ 39,796 | $ 36,038 | $ 127,184 | $ 109,368 |
| Interest expense, net | (17,052) | (15,529) | (43,997) | (46,794) |
| Depreciation and amortization | (5,737) | (7,166) | (19,560) | (21,160) |
| Gain (loss) on sale/disposal of assets | 440 | (193) | (2,863) | (878) |
| Loss on debt extinguishment | (301) | (146) | (1,217) | (146) |
| Income before provision for income taxes | $ 17,146 | $ 13,004 | $ 59,547 | $ 40,390 |

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: Certain statements contained in this release relating to our anticipated profitability and operating performance are forward-looking and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Among these risks and uncertainties are competitive factors, increases in our operating costs, ability to retain our key personnel, our substantial leverage, ability to implement our growth and cost-saving strategies, industry trends and general economic conditions, adequacy of insurance coverage and other factors, all of which are described in our Form 10-K for the year ended December 30, 2001 and other filings with the Securities and Exchange Commission. We do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

| | Fiscal Quarter Ended | | Three Fiscal Quarters Ended | |
|---|---|---|---|---|
| | September 8, 2002 | September 9, 2001 | September 8, 2002 | September 9, 2001 |
| (In thousands) | | | | |
| Revenues: | | | | |
| Domestic corporate stores | $ 84,436 | $ 80,555 | $ 262,824 | $ 253,324 |
| Domestic franchise | 30,623 | 30,373 | 97,219 | 91,042 |
| Domestic distribution | 143,614 | 163,223 | 464,080 | 470,055 |
| International | 18,387 | 15,305 | 55,055 | 46,418 |
| Total revenues | 277,060 | 289,456 | 879,178 | 860,839 |
| Operating expenses: | | | | |
| Cost of sales | 203,450 | 218,823 | 644,578 | 643,034 |
| General and administrative | 39,412 | 42,100 | 131,056 | 130,621 |
| Total operating expenses | 242,862 | 260,923 | 775,634 | 773,655 |
| Income from operations | 34,198 | 28,533 | 103,544 | 87,184 |
| Interest expense, net | 17,052 | 15,529 | 43,997 | 46,794 |
| Income before provision for income taxes | 17,146 | 13,004 | 59,547 | 40,390 |
| Provision for income taxes | 6,345 | 5,072 | 22,032 | 15,773 |
| Net income | $ 10,801 | $ 7,932 | $ 37,515 | $ 24,617 |

**Domino's, Inc. and Subsidiaries**
**Condensed Consolidated Balance Sheets**

| (In thousands) | September 8, 2002 (Unaudited) | December 30, 2001 (Note) |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 5,020 | $ 34,842 |
| Accounts receivable | 53,689 | 54,225 |
| Inventories | 23,874 | 22,088 |
| Other assets | 22,070 | 20,218 |
| Total current assets | 104,653 | 131,373 |
| Property, plant and equipment, net | 113,907 | 87,645 |
| Other assets | 157,664 | 163,275 |
| Total assets | $ 376,224 | $ 382,293 |
| Liabilities and stockholder's deficit | | |
| Current liabilities: | | |
| Current portion of long-term debt | $ 4,034 | $ 43,157 |
| Accounts payable | 49,277 | 30,125 |
| Insurance reserves | 8,098 | 7,365 |
| Other accrued liabilities | 65,431 | 73,487 |
| Total current liabilities | 126,840 | 154,134 |
| Long-term liabilities | 648,195 | 653,033 |
| Stockholder's deficit | (398,811) | (424,874) |
| Total liabilities and stockholder's deficit | $ 376,224 | $ 382,293 |

Note: The balance sheet at December 30, 2001 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.