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# Agenda

- ◆ Domino's Pizza Overview
- ◆ Financial Review
- ◆ Domestic Business
- ◆ Q&A
- ◆ Marketing
- ◆ Lunch
  - ◆ Speaker
- ◆ International
- ◆ Distribution
- ◆ Q&A

David Brandon  
Harry Silverman  
Jim Stansik / Patrick Doyle

Ken Calwell

Franchisee Jason Shifflett  
Michael Lawton  
Michael Soignet





## David A. Brandon

### Chairman & CEO

- CEO of Domino's since March 1999
- Assembled current leadership team
  - Improved profits
  - Product pipeline
  - Employee practices, turnover
- Previously
  - CEO of Valassis
  - Sales & Management at P&G
- University of Michigan
- Board member
  - Burger King
  - TJX
  - Kaydon Corp.





# Chairman & CEO David A. Brandon

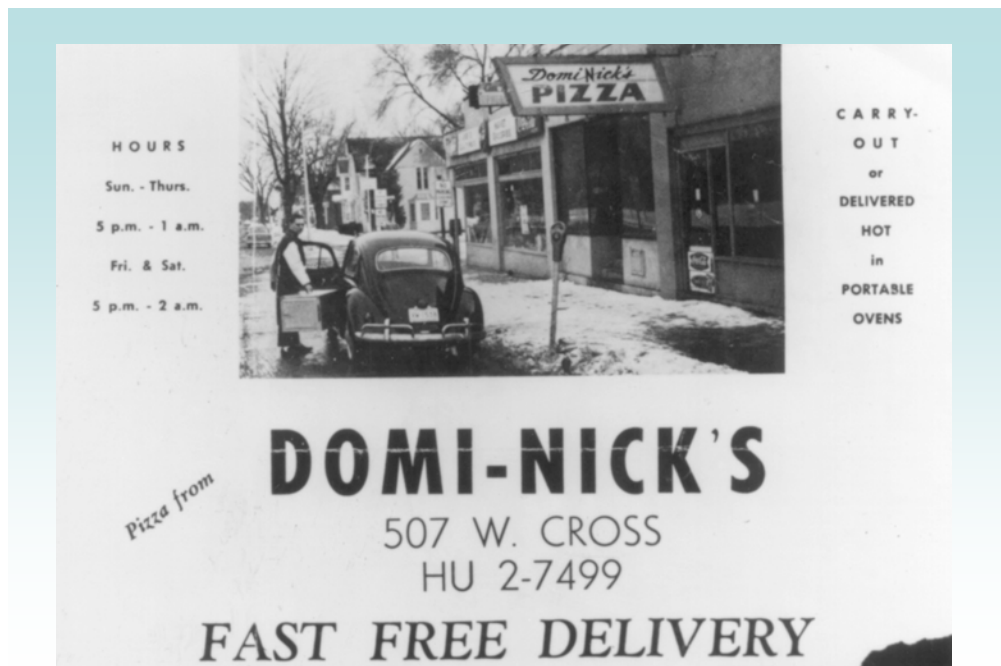
**November 8, 2005**







## Key Dates in History...



First Domino's Pizza delivery store opens: 1960

First Domino's franchise store opens: 1965

First Domino's international store opens: 1982





# Key Dates in History...



Founder sells company, retires: December 1998

Bain Capital names David Brandon CEO: February 1999

Domino's Pizza begins trading on NYSE: July 2004





## 1999–2005: “Create the Culture”

- ◆ “Change is good”
- ◆ Build the team
- ◆ Benchmark against the best
- ◆ Create the vision
  - ▶ Exceptional people on a mission to be the best pizza delivery company in the world!
- ◆ Set the strategy





# Domino's Vision and Strategy

**Exceptional people on a mission to be the best pizza delivery company in the world!**

## **Build the Brand –**

- ◆ Product and process innovations
- ◆ Advertising and promotion

## **PeopleFirst –**

- ◆ Selection and retention
- ◆ Learning and development programs
- ◆ Performance-based compensation



## **Flawless Execution –**

- ◆ Operational excellence
- ◆ Superior operating model

## **Maintain High Standards –**

- ◆ Quality and consistency
- ◆ Comprehensive store audits
- ◆ Vertically-integrated distribution system







# Domino's Pizza Today

## Since 1999, we have:

- ◆ Led the industry in same store sales growth
  - **11 consecutive years without a negative annual same store sales comp**
- ◆ Opened nearly **1,500** new stores
- ◆ Increased global retail sales by **\$1.4 billion**





# Domino's Pizza Today

- ◆ Nearly **8,000 stores** operating in 55 countries
- ◆ **3** major international franchises publicly traded (Australia, Mexico, UK-Ireland)
- ◆ Over **2,000** independent owner-operators throughout the world
  - Domestic franchisees
  - International master and sub-franchisees





# Domino's Pizza Today

- ◆ Nearly **150,000 team members** worldwide
- ◆ Domino's delivers an average of **1 million pizzas** a day
- ◆ U.S. delivery drivers cover **9 million miles** every week





# Domino's Business Units

## Domestic Stores



- 4,452 franchise stores
- 574 company-owned stores

## Distribution



- 17 dough manufacturing & distribution facilities
- 1 equipment and supply facility

## International



- 2,898 franchise stores
- A small number of company-owned stores
- 8 dough manufacturing & distribution facilities

## Support Services



- Marketing/R&D
- Public/Investor Relations
- Store Development
- Finance
- Human Resources
- Legal

As of Q3 2005

**Domino's Pizza Investor Day 2005**







# The Domino's Advantage

## Proven 44-Year History

- ◆ Domino's Pizza is a powerful global brand
- ◆ #1 pizza delivery company in the U.S.
- ◆ Large and growing international presence
- ◆ Strong and proven business model with superior returns
- ◆ Profitable, value-added distribution system



**Strong and Consistent Cash Flow Generator**





# Long Range Outlook

**Grow Shareholder Returns by 13% to 15% through:**

## Top Line Growth

- Domestic Same Store Sales +1% - 3%
- International Same Store Sales +3% - 5%
- Net Units +200 - 250

## Margin Expansion

## De-leveraging



**NET INCOME GROWTH +11% - 13%**

Approx.  
2%  
Dividend  
Yield

**Total Shareholder Return +13% - 15%**





# Overview

- ◆ **The Pizza Segment . . .**
- ◆ **Our Customers . . .**

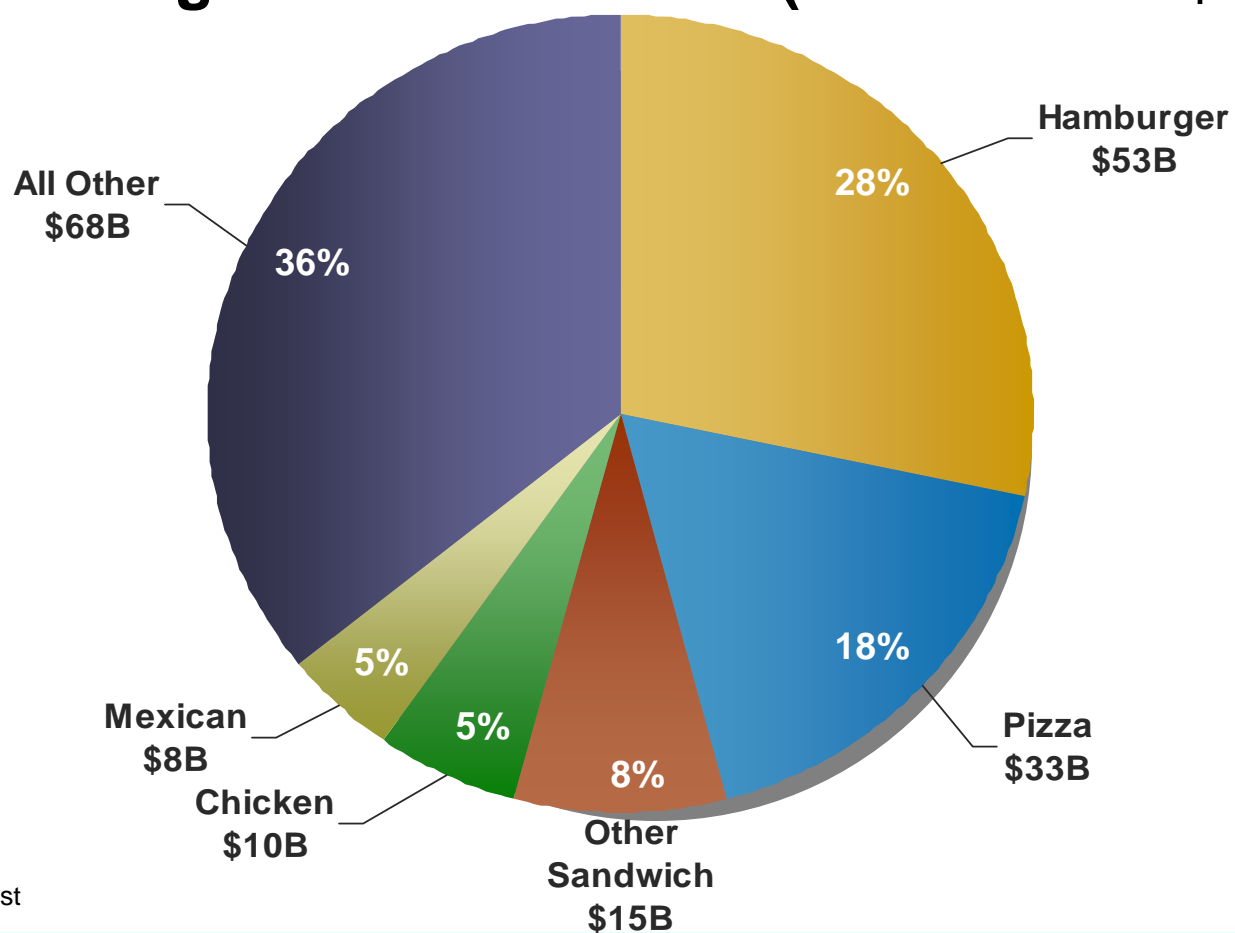
(All U.S. data)





# The Pizza Segment

**2004 Segment Dollar Share (Total QSR = \$187B)**



Source: NPD Crest

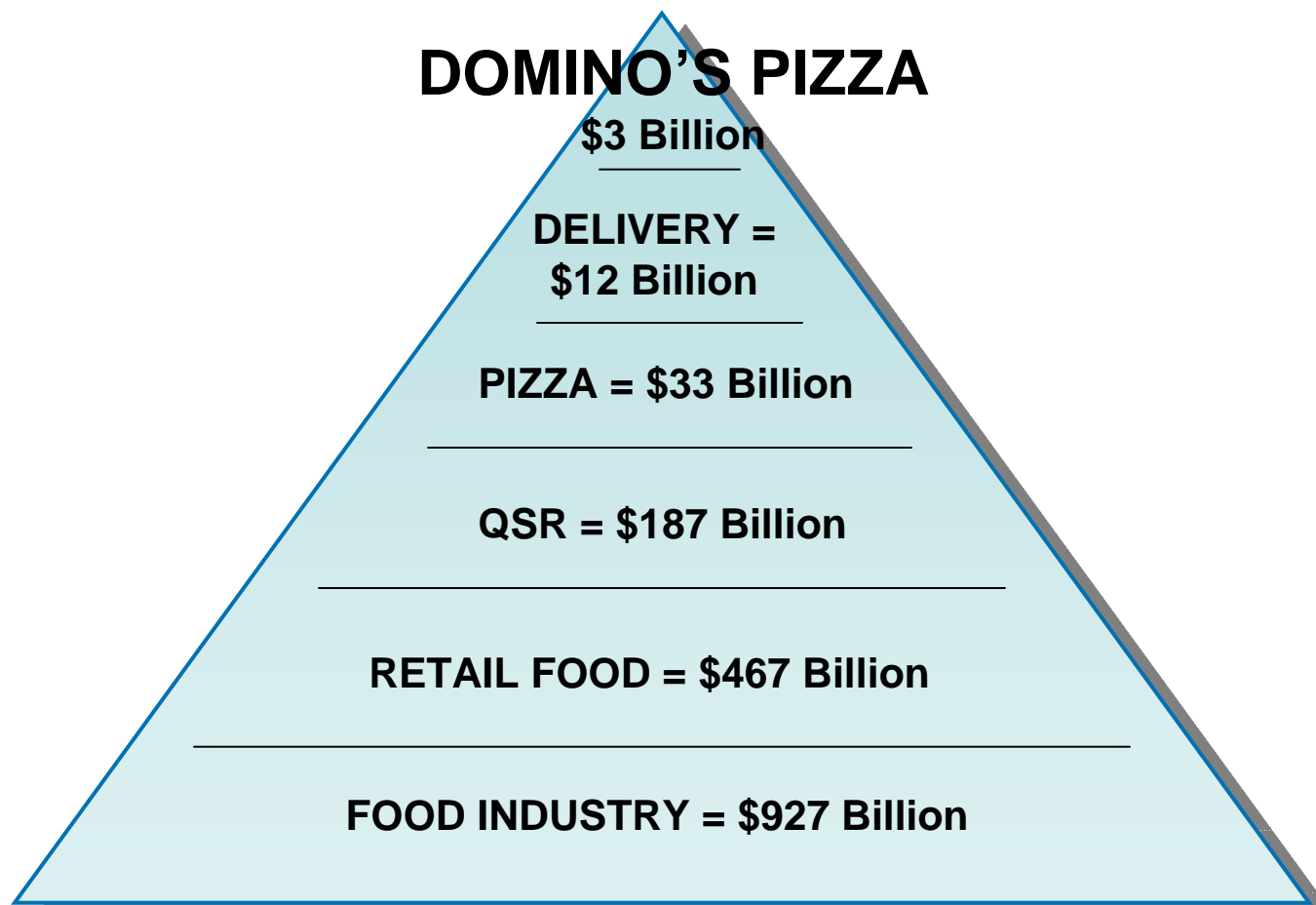
**Domino's Pizza Investor Day 2005**







# Domestic Landscape



Sources: U.S. Census Bureau, Technomic and NPD Crest

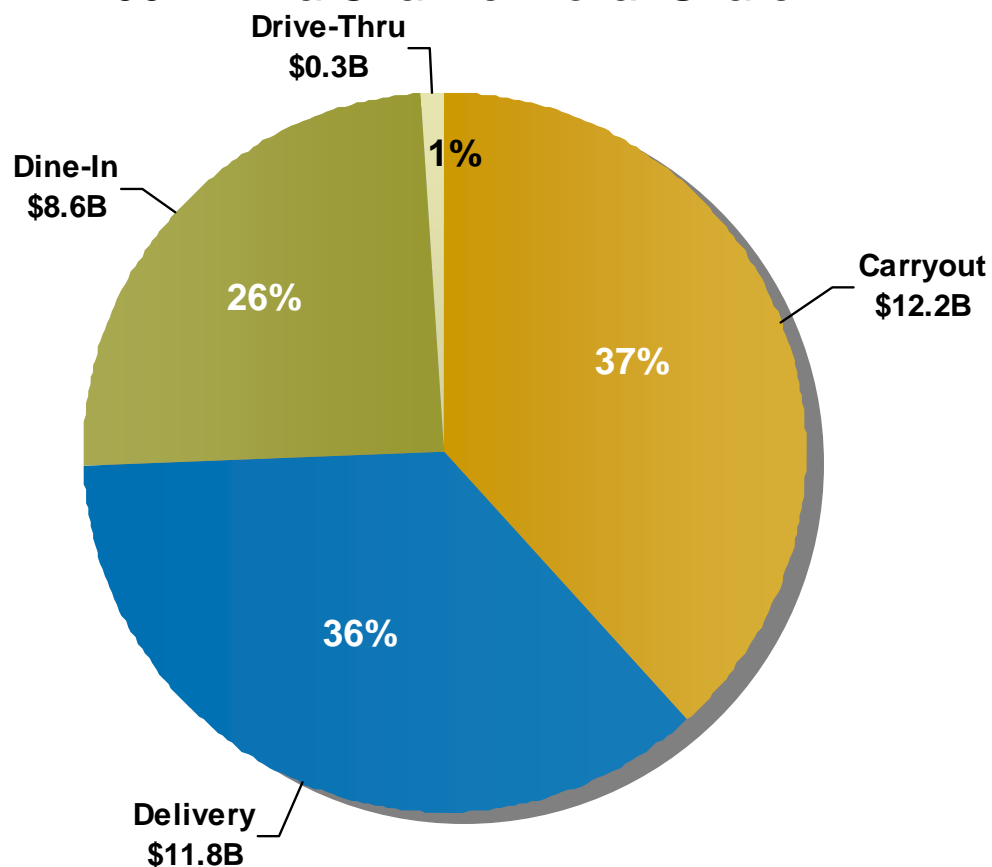




# Pizza Category Overview

## Delivery & Carryout = Almost 75% of the Category

2004 Pizza Channel Dollar Share



Source: NPD Crest

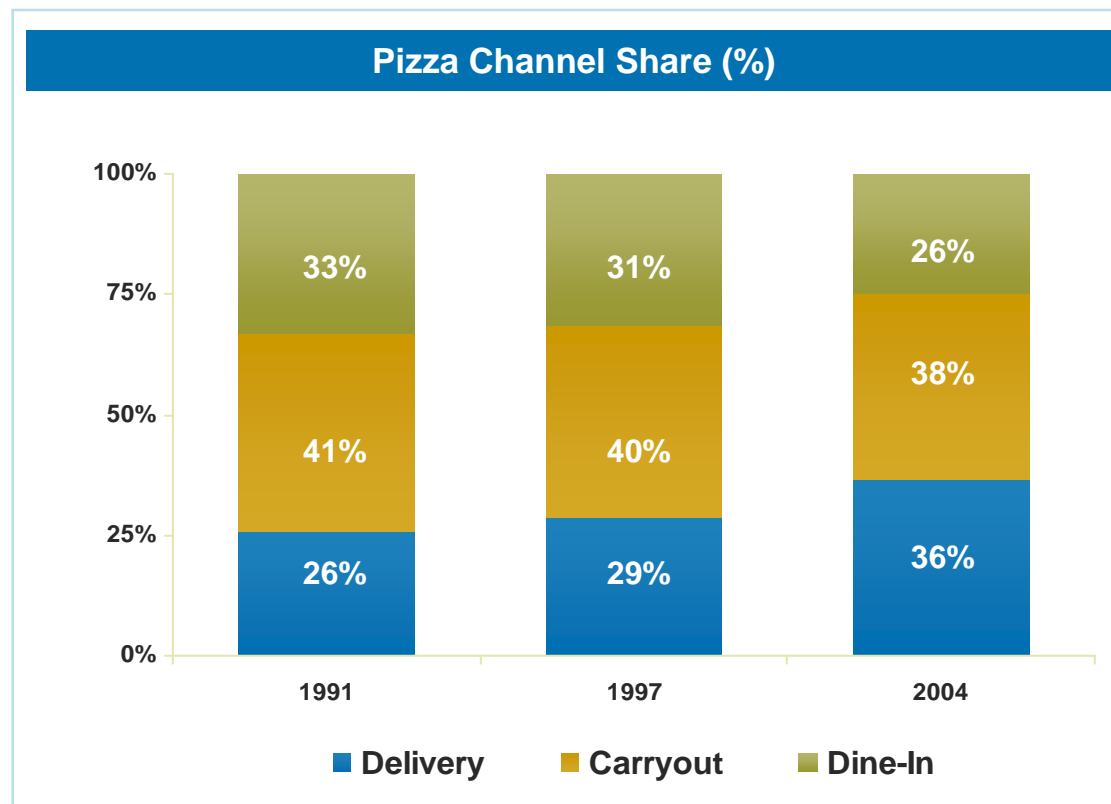
Domino's Pizza Investor Day 2005





# Delivery Segment Overview

## The Delivery Segment is the Fastest Growing Over Time



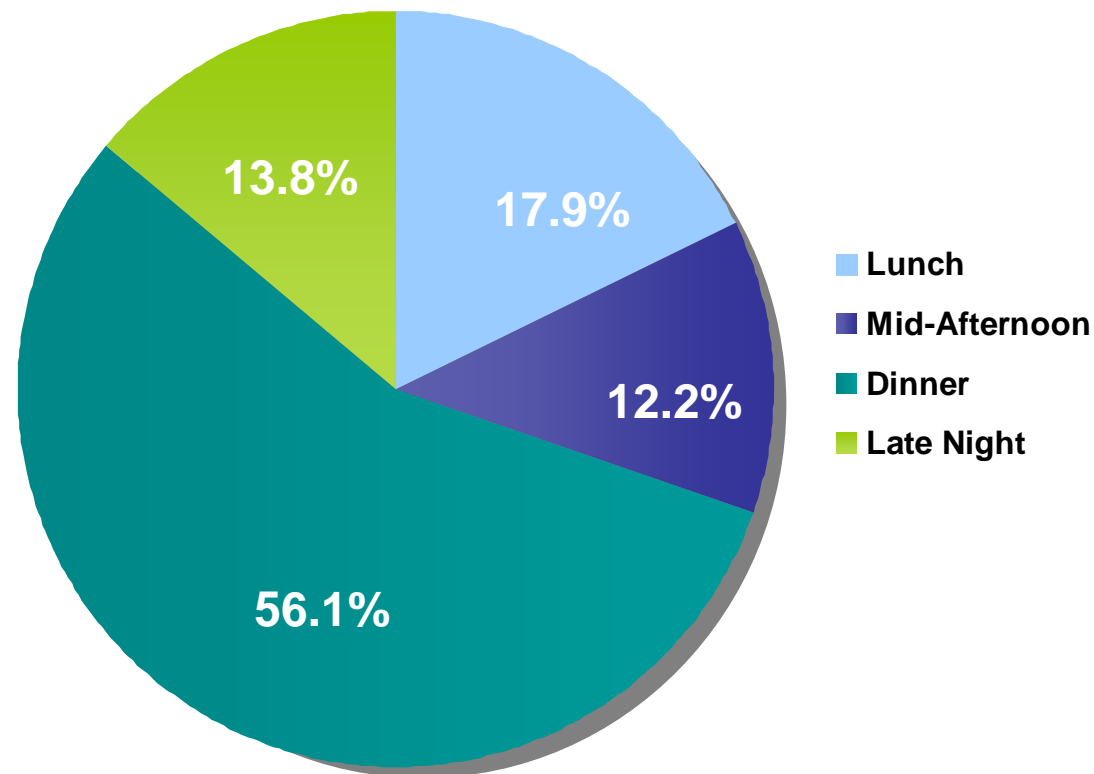
Source: NPD Crest





# Pizza is Generally Dinner

## Sales % by Daypart

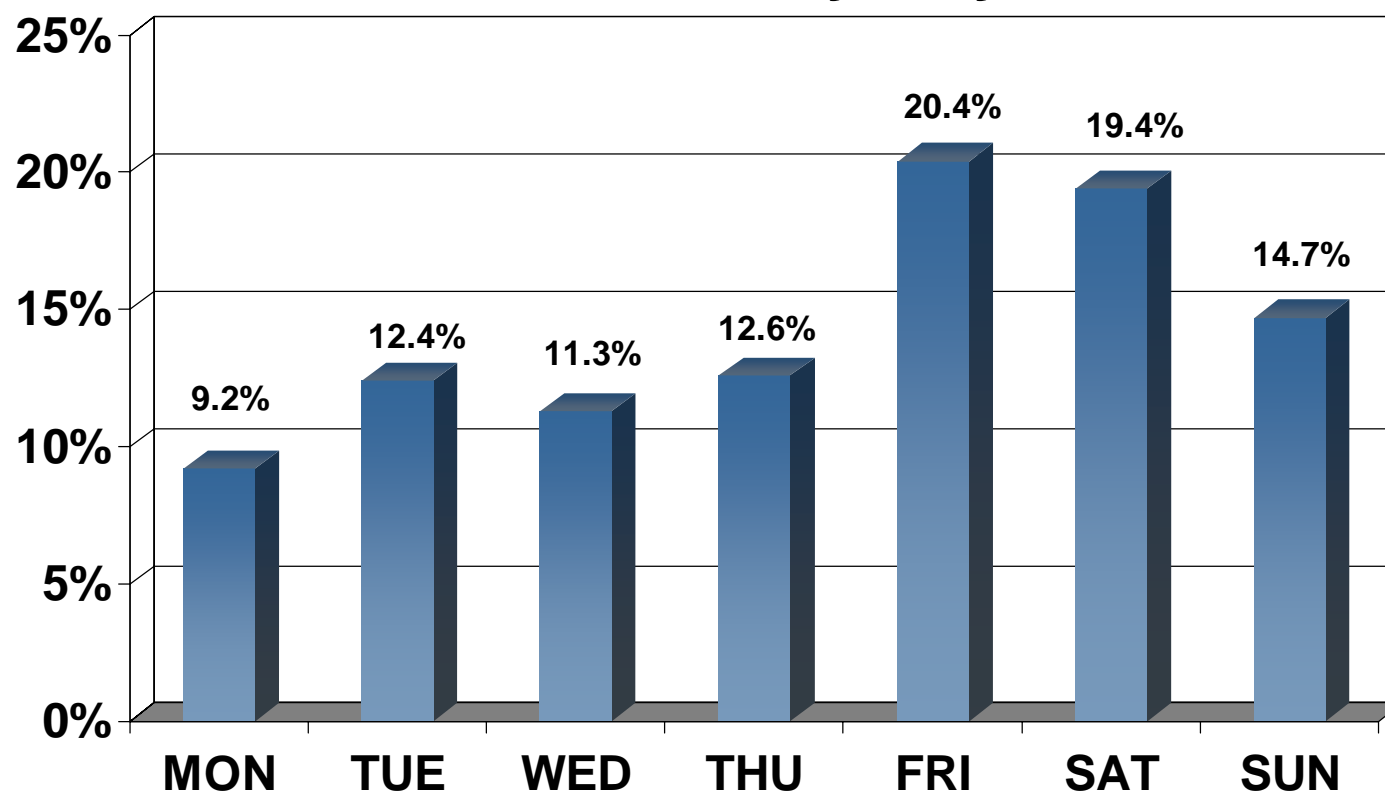






# More Pizza Sold on the Weekend

## Sales % by Day



Source: DPI Corporate Sales 2004 - Dollars

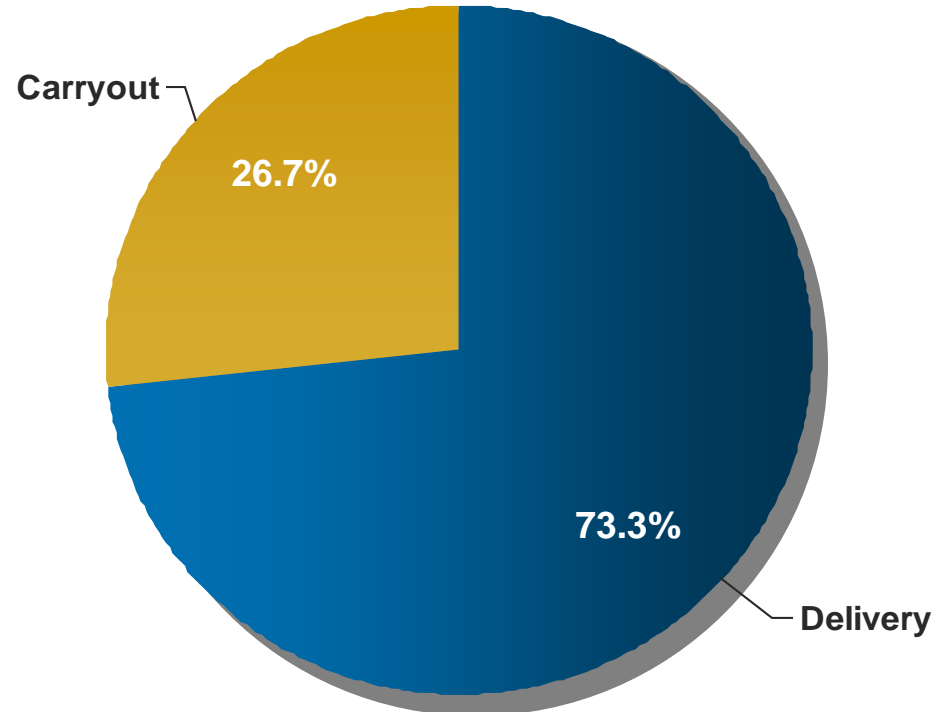
**Domino's Pizza Investor Day 2005**





# Domino's Focus = Delivery

## 2004 Domino's Business by Channel



Source: NPD Crest

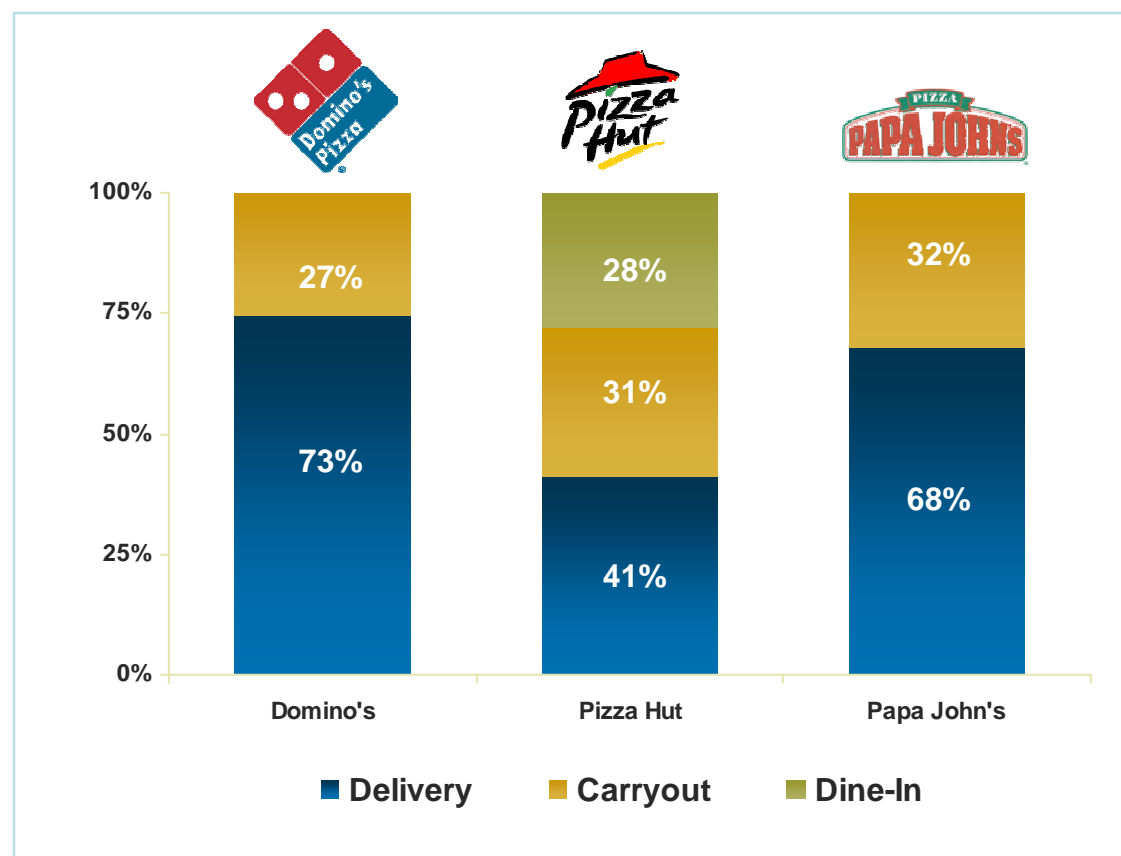
Domino's Pizza Investor Day 2005





# Top 3 Overview

## 2004 Pizza Channel Dollars



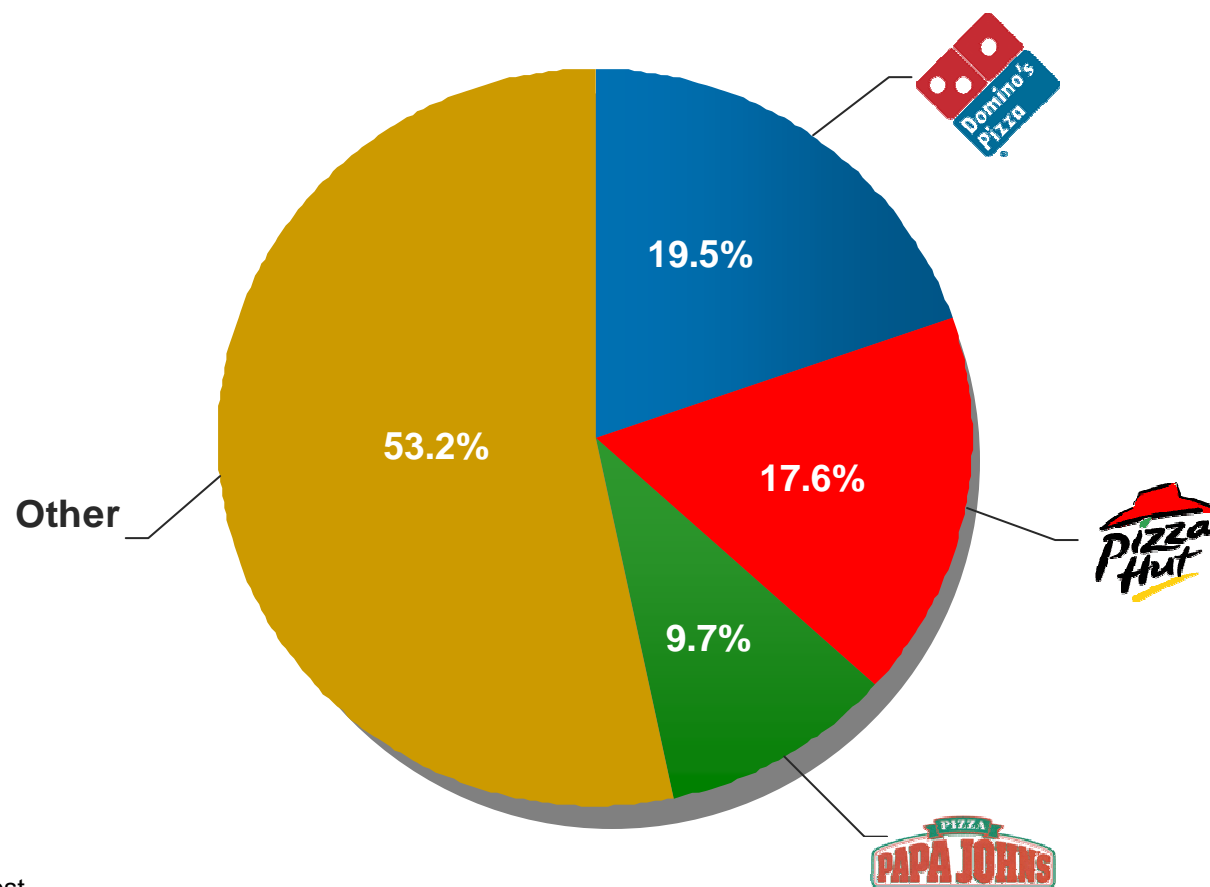
Source: NPD Crest





# Domino's: Market Share Leader

## Pizza Delivery Dollar Share 2004



Source: NPD Crest




Domino's Pizza Investor Day 2005





# Lead in Sales Growth

## Same Store Sales

	2000	2001	2002	2003	2004	5 Year Growth
	0.0%	4.0%	2.6%	1.3%	1.8%	9.7%
	1.0%	0.0%	0.0%	(1.0%)	5.0%	5.0%
	2.3%	0.0%	(1.3%)	(3.5%)	0.1%	(2.4%)
Domino's Ranking	#3	#1	#1	#1	#2	#1

Source: Domino's Actuals and Competitive Same-Store Sales Releases

**Domino's Pizza Investor Day 2005**





# The Pizza Customer

- ◆ Consumers have a shortened attention span as a result of increased distractions
  - Cell phones, PDAs, Internet, TiVo
- ◆ Hurried and stressed families are the norm
  - Roughly 60% of American women work outside the home
- ◆ According to Roper, at 4:30 on an average afternoon, 73% of Americans have no idea what they'll feed their family for dinner







# Trends Support Category Growth

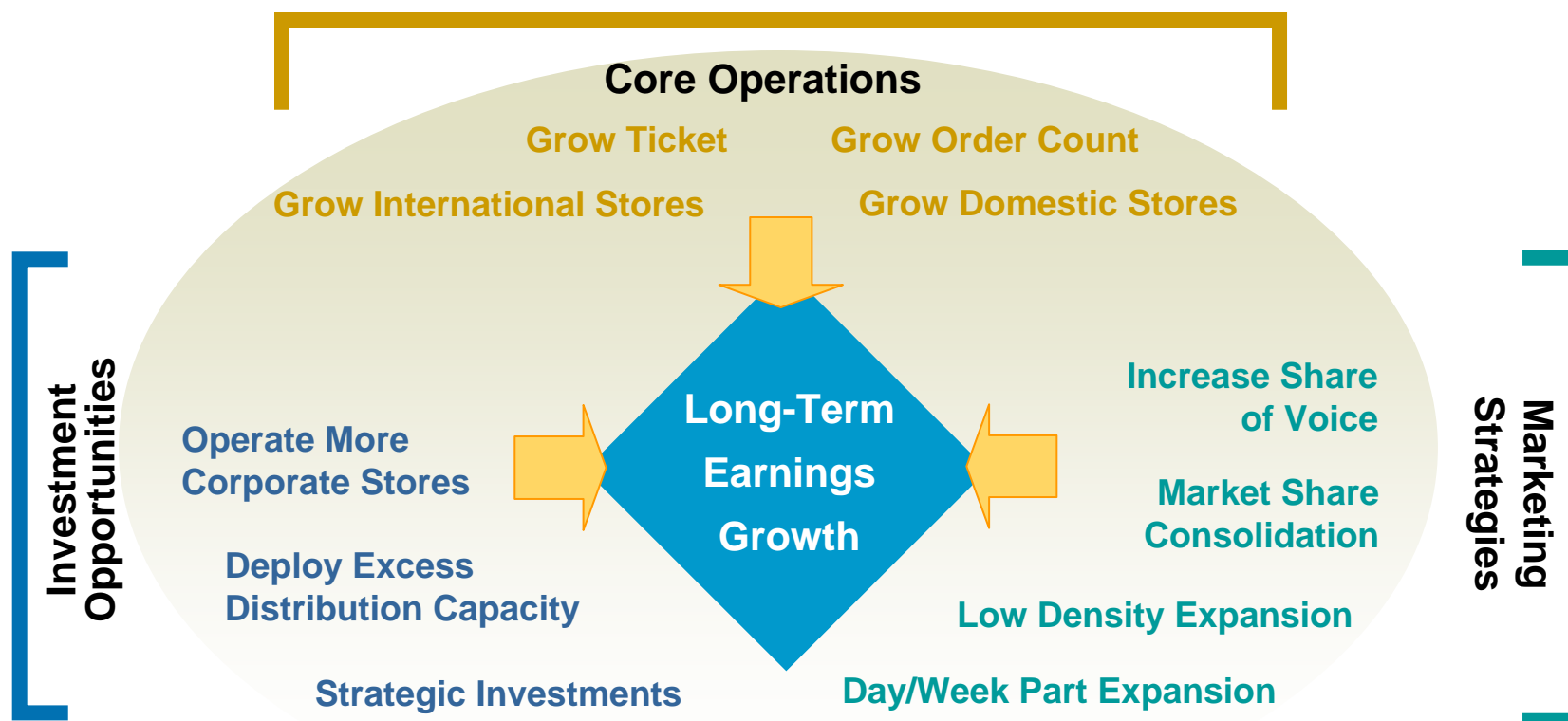
- ◆ Convenience = Reliable Delivery
  - With busy and stressful lives, consumers demand convenience
  - Not just speed anymore, hassle-free experience
- ◆ Reconnecting = At Home
  - 67% of U.S. consumers say they are getting together with friends at home more often than at restaurants or bars
- ◆ Authenticity = Well Known and Trusted Brand
  - #1 reason consumers purchase brands: “brand assures a reliable company stands behind its product or service”





# Many Available Growth Levers

...in addition to category growth





## **Harry J. Silverman** **Outgoing EVP and Chief Financial Officer**

- CFO since 1993
- CPA
- University of Illinois
- Retiring from DPZ at year end, consulting in 2006
- Active in search/transition of David Mounts





## **L. David Mounts**

### **Incoming EVP and Chief Financial Officer**

- With Domino's since November 4<sup>th</sup>!
- 22 years of delivery and finance experience at UPS, Inc.
- Most recently Corporate Controller, U.S. Operations (\$26 billion in sales)
- Domestic and international experience, general management and finance
- Wharton MBA
- University of Nevada BSBA, Finance and MIS





# Financial Overview Harry Silverman

**November 8, 2005**





## 2005 Financial Results Top Line

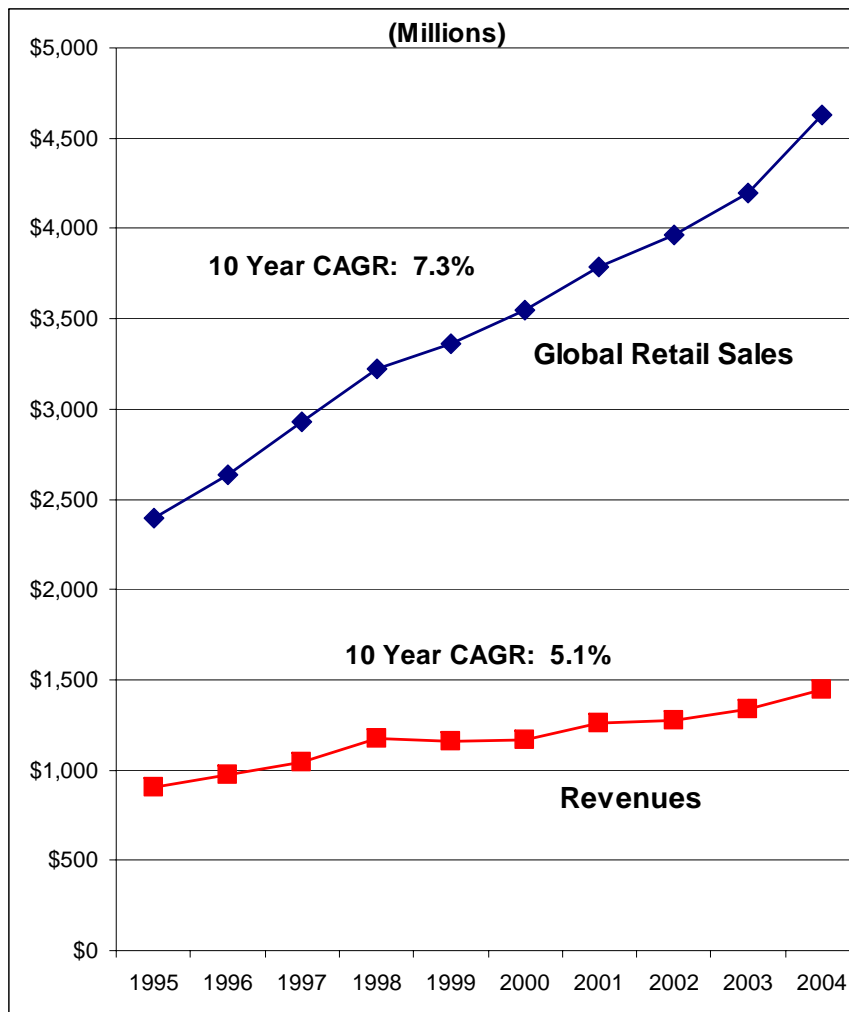
<u>Top Line Results</u>	<u>3rd Quarter Year-to-Date</u>	<u>Increase vs. 2004</u>
Revenues	\$1.054B	+8.9%
Global Retail Sales	\$3.450B	+11.7%







# Historical Top Line Growth Global Retail Sales Versus Revenues



- **Revenues are Comprised of:**

- Sales at company-owned stores
- Domestic & International royalty revenues
- Sales of food & supplies

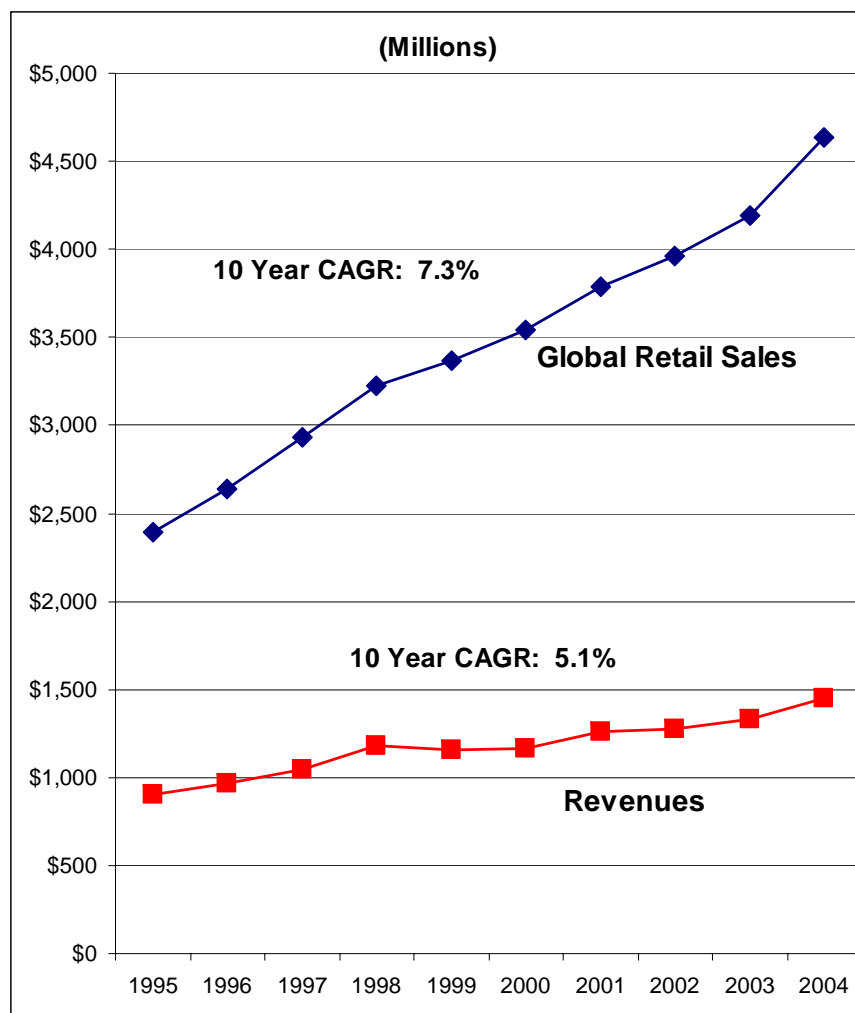
- **Global Retail Sales**

- Represent sales to all customers worldwide at Company-owned and Franchise stores





# Historical Top Line Growth Global Retail Sales Versus Revenues



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- Sales of food & supplies

- Global Retail Sales

- Represent sales to all customers worldwide at Company-owned and Franchise stores

- Retail Sales are a Better Gauge of Top Line Growth

- Represent sales activity at all stores
- Not impacted by:
  - Store mix
  - Commodity prices





# 2005 Financial Results

## Top Line

	<u>3rd Quarter Year-to-Date</u>	<u>Increase vs. 2004</u>
<b><u>Top Line Results</u></b>		
Revenues	\$1.054B	+8.9%
Global Retail Sales	\$3.450B	+11.7%

### **Global Retail Sales Drivers**

#### Same Store Sales

Domestic	\$12,850	+6.3%
International	\$11,530	+6.9%





# Global Retail Sales Drivers

## Domestic Same Store Sales



- **1st Half Comps Benefited From:**

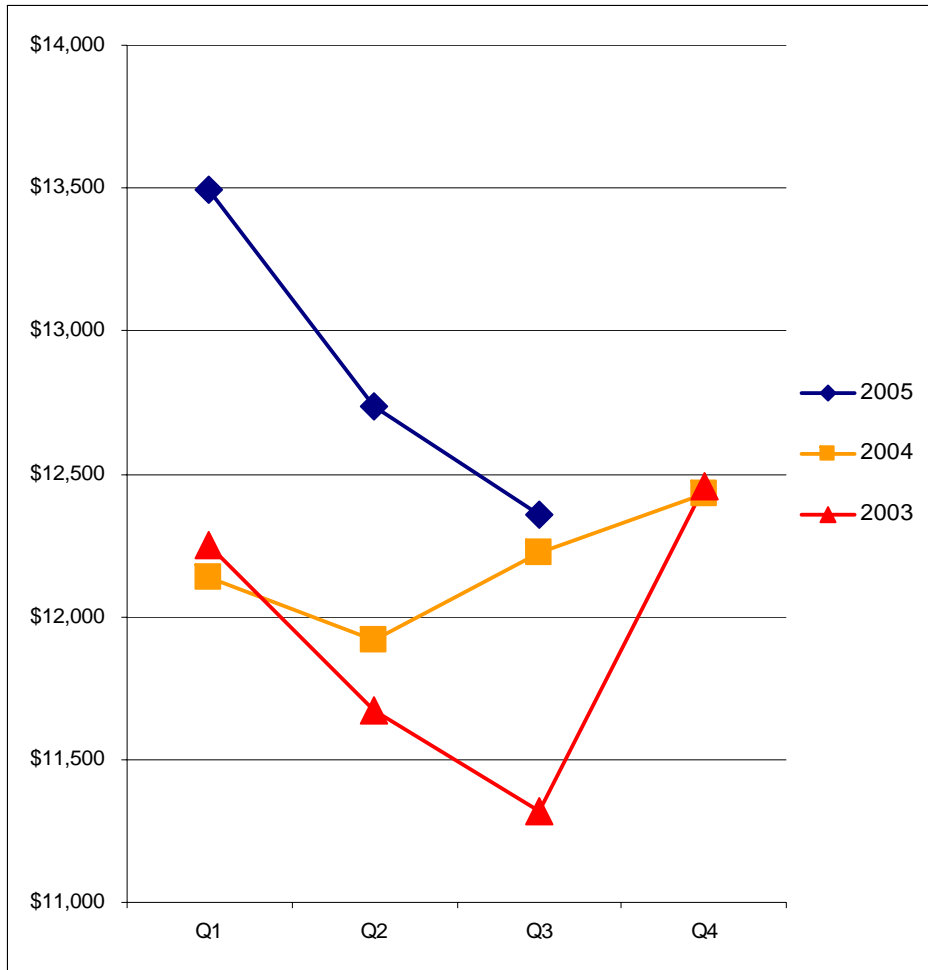
- Increased national marketing contribution
- Strong marketing & promotional activities
- Weak 1st half comps in 2004





# Global Retail Sales Drivers

## Domestic Same Store Sales



- **1st Half Comps Benefited From:**

- Increased national marketing contribution
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- Weak 1st half comps in 2004

- **3rd Quarter Comps Impacted By:**

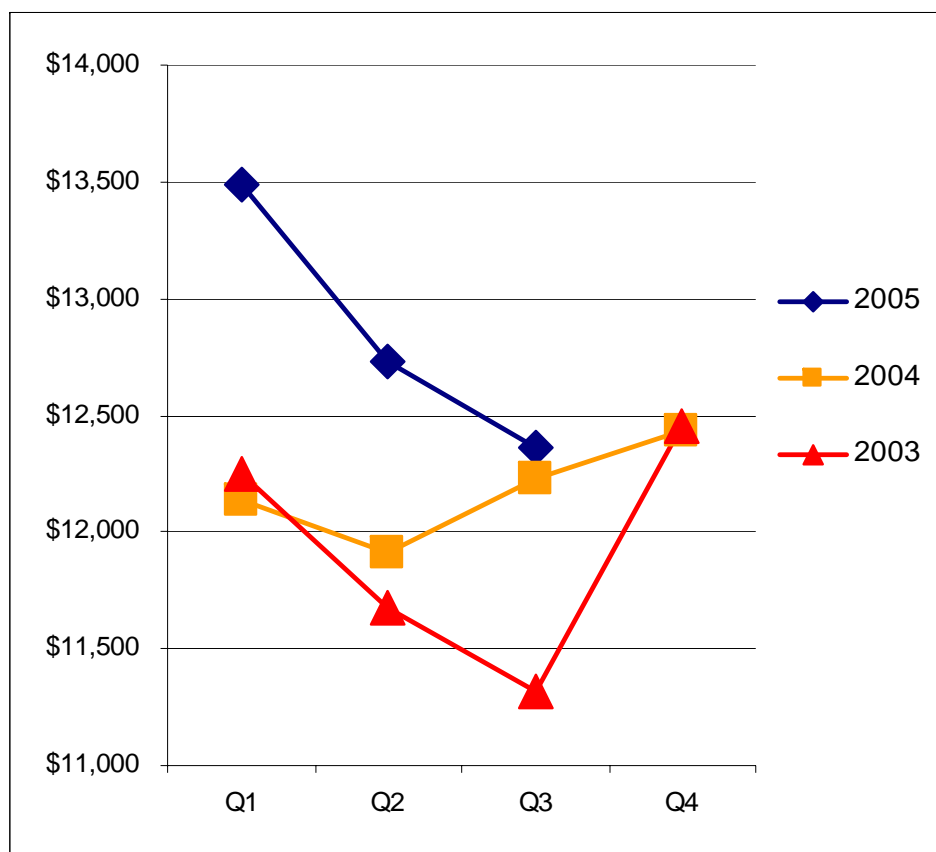
- Rolling over a very successful 2004 promotion





# Global Retail Sales Drivers

## Domestic Same Store Sales



- 1st Half Comps Benefited From:

- Increased national marketing contribution
- Strong marketing & promotional activities
- Weak 1st half comps in 2004

- 3rd Quarter Comps Impacted By:

- Rolling over a very successful 2004 promotion

- 3rd Quarter YTD Domestic Comp Breakdown:

- Company-owned + 8.9%
- Franchise + 5.9%







# 2005 Financial Results Top Line

	<u>3rd Quarter Year-to-Date</u>	<u>Increase vs. 2004</u>
<b><u>Top Line Results</u></b>		
Revenues	\$1.054B	+8.9%
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<b><u>Global Retail Sales Drivers</u></b>		
Same Store Sales		
Domestic	\$12,850	+6.3%
International	\$11,530	+6.9%
<b>Store Growth</b>		
<b>Worldwide</b>	<b>188</b>	<b>+12</b>





## 2005 Financial Results Store Growth



- Increased store counts by 342 over trailing 4 quarters
- Domestic stores negatively impacted by Hurricane Katrina
  - 14 Franchise store closings
- International represented 70% - 75% of store growth
  - Build out major markets





# 2005 Financial Results

## Store Growth



- Increased store counts by 342 over trailing 4 quarters
- Domestic stores negatively impacted by Hurricane Katrina
  - 14 Franchise store closings
- International represented 70% - 75% of store growth
  - Build out major markets
- Store counts at the end of the 3rd quarter
  - Domestic Company-owned 574
  - Domestic Franchise 4,452
  - International 2,919
  - Total 7,945





## 2005 Financial Results Earnings

	<u>3rd Quarter Year-to-Date</u>	<u>Increase vs. 2004 *</u>
<b>Operating Income</b>	\$142.5M	+17.6%
<b>Net Income</b>	\$69.2M	+30.5%
<b>EPS</b>	\$1.00	+33.3%

\* Comparisons include 2004 pro forma adjustments





# 2005 Financial Results

## Operating Income

### Increase in Operating Income

#### **Benefited from:**

- Higher Domestic and International royalty revenues
- Improved Company-owned store operating margins
  - Higher sales
  - Lower labor and insurance costs
- Improved Distribution margins
  - Higher volumes

#### **Offset by:**

- Increased General & Administrative costs



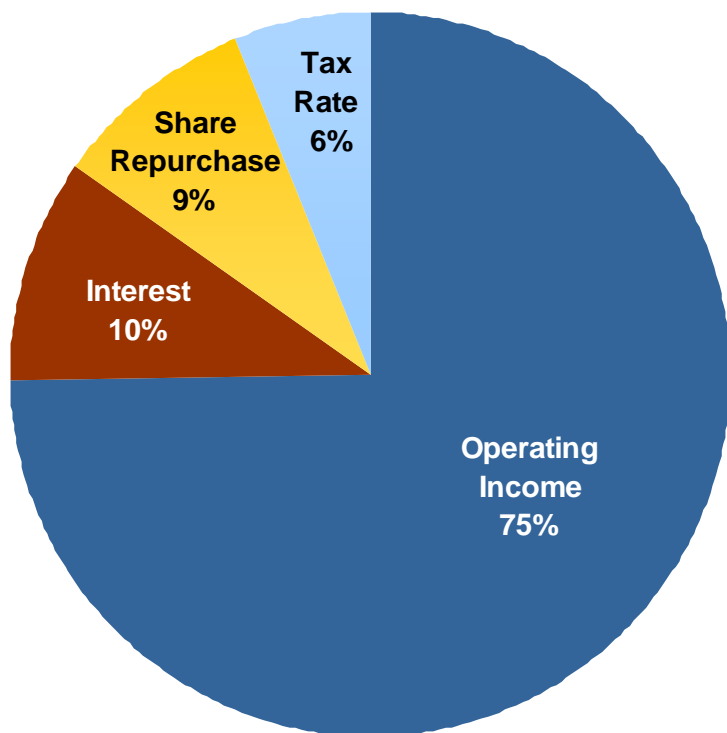


# 2005 Financial Results

## YTD EPS Growth Breakdown

### 33% Growth in EPS Driven By:

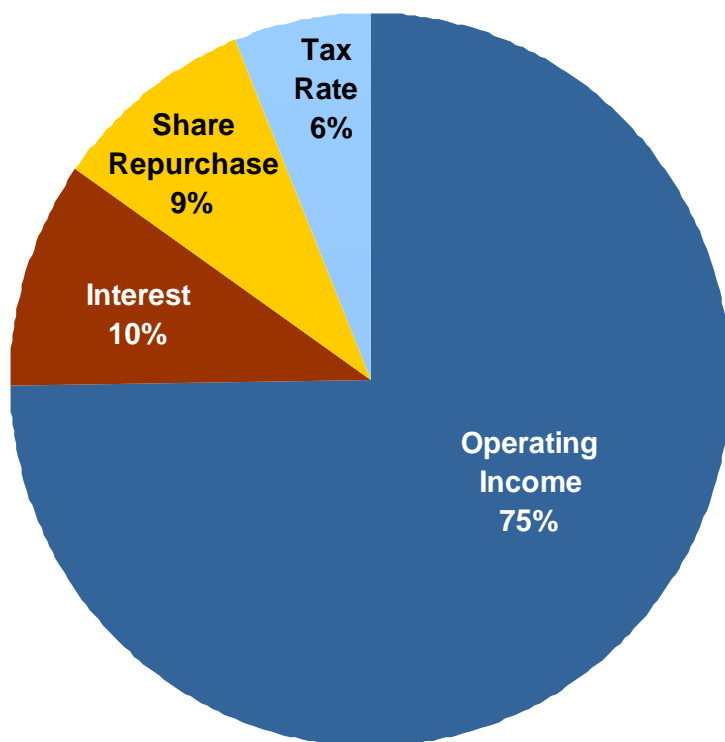
- Increased Operating Income
  - Higher volumes and store counts





# 2005 Financial Results

## YTD EPS Growth Breakdown



### 33% Growth in EPS Driven By:

- Increased Operating Income
  - Higher volumes and store counts
- Reduced Interest Costs
  - Lower debt balance

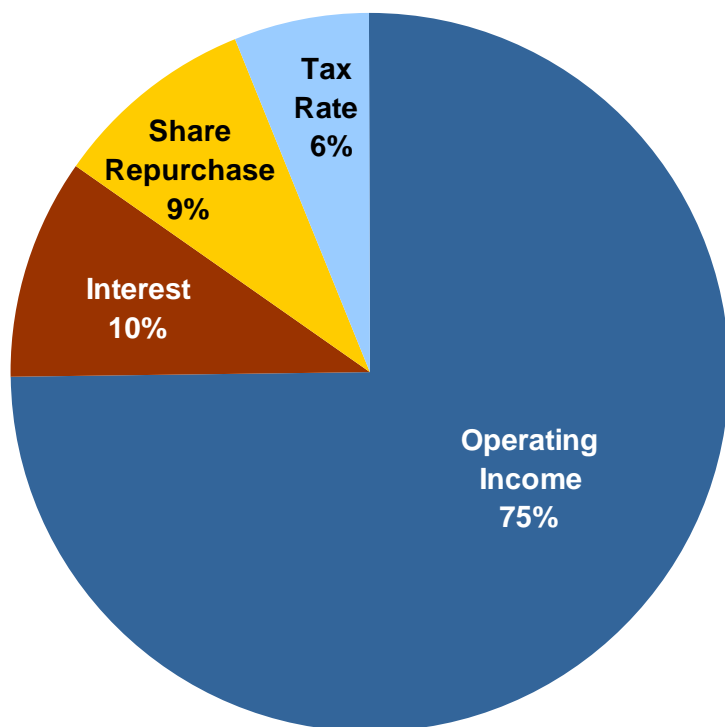






# 2005 Financial Results

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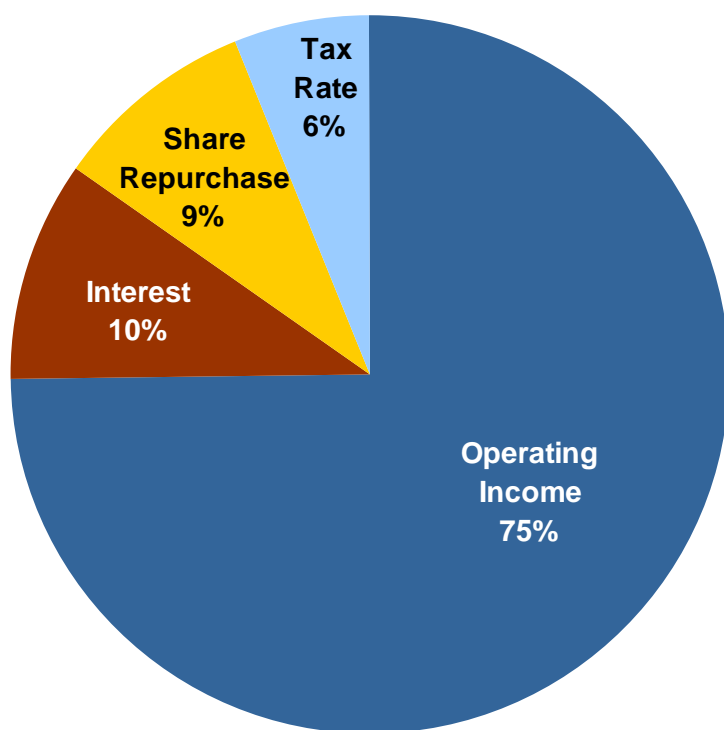
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- Reduced Interest Costs
  - Lower debt balance
- Reduced Tax Rate
  - Reversed valuation allowance in 2nd quarter





# 2005 Financial Results

## YTD EPS Growth Breakdown



### 33% Growth in EPS Driven By:

- Increased Operating Income
  - Higher volumes and store counts
- Reduced Interest Costs
  - Lower debt balance
- Reduced Tax Rate
  - Reversed valuation allowance in 2nd quarter
- Reduced Share Count
  - Repurchased 4.4M shares in 2nd quarter





## 2005 Financial Results Debt and Liquidity

### **Total Debt: \$755M**

- Reduced total debt by \$25M versus year end
- Funded \$75M share repurchase out of existing cash and current cash flow
- Leverage ratio down to 3.2 times
- Recently upgraded by Standard & Poor's to BB-





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### Free Cash Flow: \$88M

- Benefited from:
  - Strong net income
  - Modest capital expenditures
  - Favorable balance sheet sources
    - \$18M tax benefit related to exercise of stock options





# 2005 Financial Results

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    - \$18M tax benefit related to exercise of stock options

### 2005 Annualized Dividend Rate: \$0.40 Per Share

- Yield of 1.6% as of 11/02/05





**Thank you for your support.**





## **James G. Stansik** **EVP, Flawless Execution – Franchise**

- With Domino's since 1985
- Responsible for
  - Franchise Relations
  - Safety and Security
  - Partners Foundation
- Eastern Michigan University







# Franchise Stores

## Jim Stansik

**November 8, 2005**





# Franchisee Profile

- ◆ A Solid Partnership with Our Franchisees
  - Franchisees come from within the system
  - Average length of relationship is approximately 9 years
  - 99% renew contracts upon maturity
  - 98% of stores purchase all their food products from distribution
  - 99%+ collection rate on royalty and distribution receivables
  - Average franchisee turnover is 8%





## Franchisee Focus

- ◆ Franchise stores are about 90% of our domestic system
- ◆ Strong cash-on-cash returns
  - We believe a majority of our franchisees generate cash-on-cash returns of 30% - 40%
  - Cash-on-cash returns = Annual EBITDA / Cash Investment
- ◆ Strong unit economics create demand for Domino's franchise opportunities!





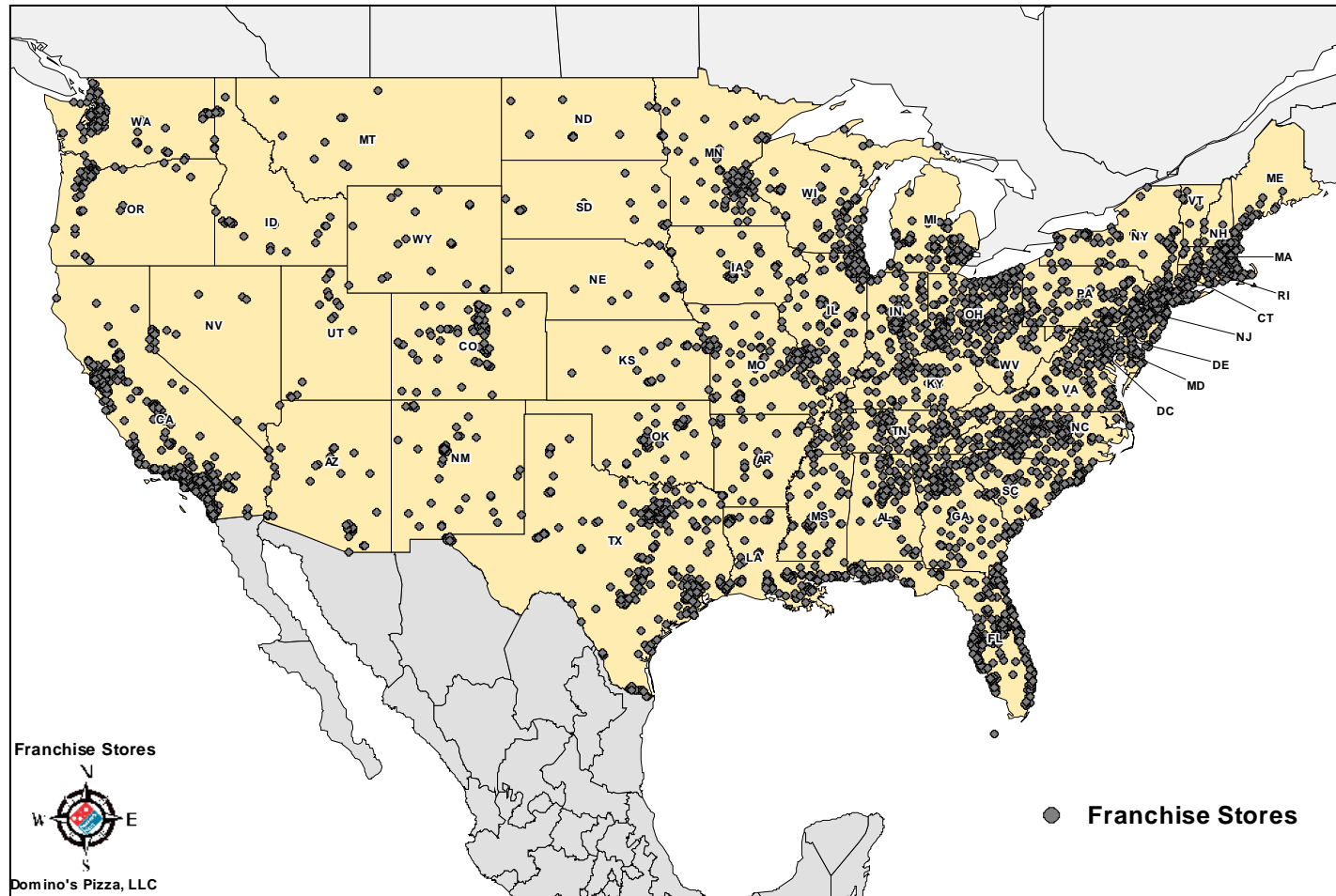
## Strong Unit Economics

- ◆ Focused and efficient operating model
- ◆ Delivery and carry-out only (no dining area)
- ◆ Limited menu
- ◆ Low cost to open
- ◆ Minimal square footage
- ◆ Majority of our franchise stores cost approximately \$150,000 - \$250,000 to open





# Geographically Diverse





# Top 10 Markets

## Franchise Operations (As of YE 2004)

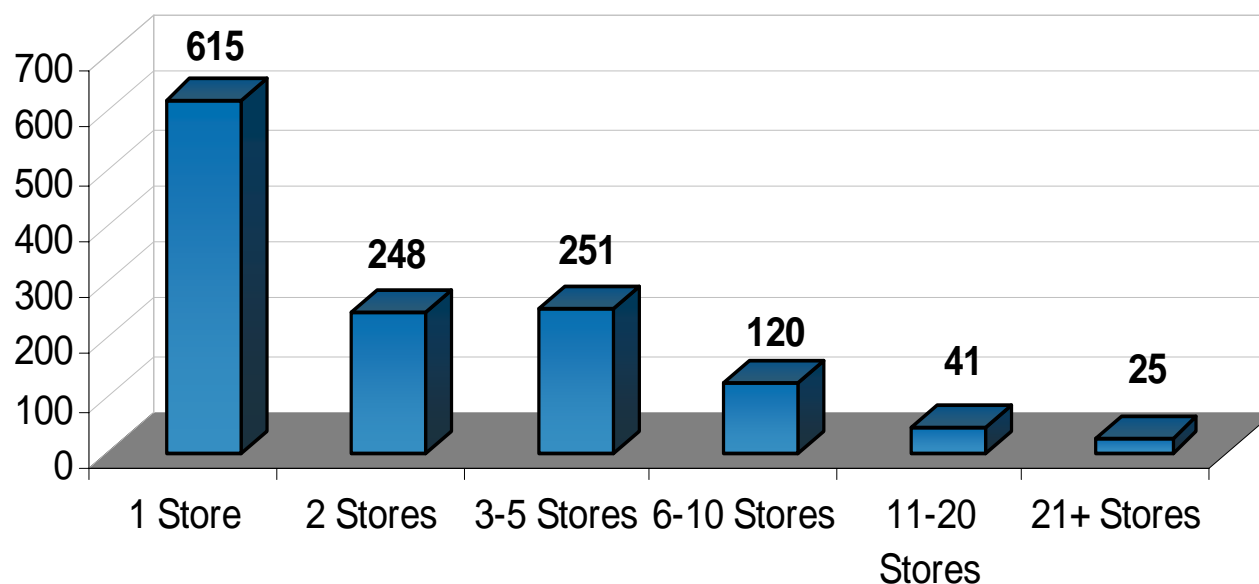
	<u>% of Sales</u>
Los Angeles	6.4%
New York	4.8%
Washington D.C.	3.5%
Dallas/Ft. Worth	3.1%
Boston	2.7%
Philadelphia	2.3%
Atlanta	1.9%
Chicago	1.8%
Minneapolis	1.6%
Houston	1.5%





# Franchisee Profile

## Franchise Store Ownership No Significant Franchisee Concentrations



- ◆ Average domestic franchisee owns 3 stores
- ◆ Only 5 franchisees own more than 50 stores
- ◆ Our largest domestic franchisee owns 135 stores







# Franchisee Profile

## Number of Years as a Franchisee:

	# Franchisees	%
0 – 10 Years	738	57%
11 – 20 Years	440	34%
21 – 29 Years	114	9%
30+ Years	8	<1%
Total	1,300	100%

- ◆ Stable, experienced base with room for growth





# Franchisee Partnerships

- ◆ Exceptional Franchise Team
- ◆ Domino's Franchise Association
- ◆ Domino's Marketing Advisory Board
- ◆ Distribution Advisory Board
- ◆ Town meetings/Manager rallies





## **J. Patrick Doyle EVP, Team USA**

- With Domino's since 1997
  - EVP, Team USA
  - EVP, International
  - Sr. VP, Marketing
- Previously
  - General Manager, Gerber U.S.
- University of Chicago MBA
- University of Michigan
- Board member
  - G&K Services, Inc.





# Team USA Patrick Doyle

**November 8, 2005**





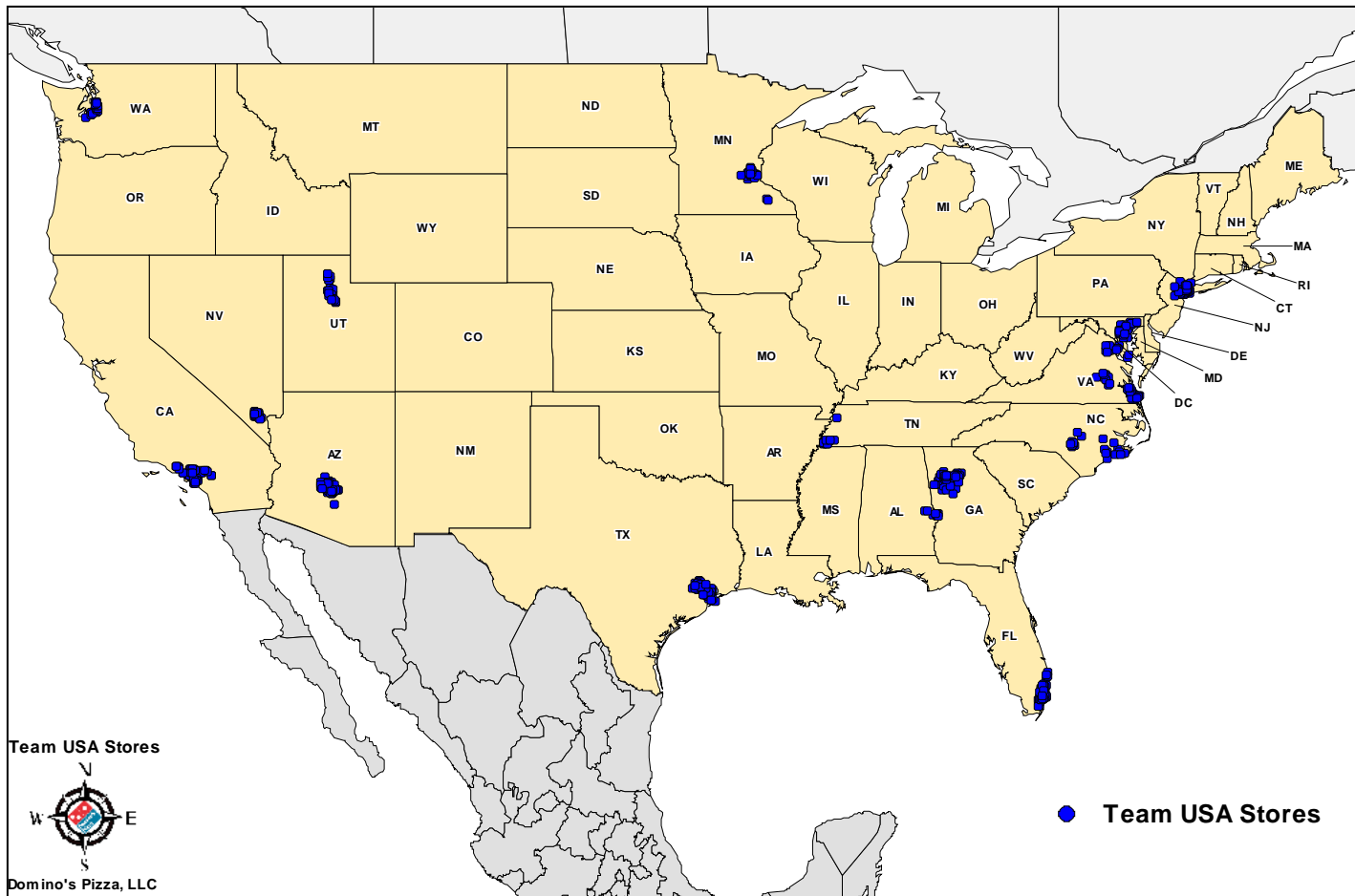
## Team USA Overview

- ◆ Nearly 600 stores – largest “franchisee”
- ◆ Represents approximately 11% of U.S. Domino’s Pizza stores
- ◆ Mostly in dense population/urban areas





# Team USA Markets





## Top 10 Markets

	<u>% of Sales</u>
New York, NY	14%
Los Angeles, CA	12%
Phoenix, AZ	11%
Houston, TX	9%
Miami, FL	9%
Atlanta, GA	6%
Baltimore, MD	6%
Las Vegas, NV	5%
Salt Lake City, UT	5%
Minneapolis, MN	5%
Other	18%







# Team USA Overview

- ◆ Important as a testing platform
  - Systems
  - Products
  - Tools
  - Initiatives
- ◆ Validates our position
  - Standards
  - Products
  - Leadership issues
- ◆ Opportunity for profit expansion





## Key Issues Overview

- ◆ Talent/Turnover – particularly at Corporate Regional Manager/General Manager level
- ◆ Service – weaker the past 5 years
- ◆ Sales growth
- ◆ Financial performance





# Key Issue Report Card

Recent Scorecard	
Talent/Turnover rates	✓ +
Service Times	✓ -
Same Store Sales	✓ +
Store Margins	✓





# Basic Strategic Overview

- ◆ Focus on people
- ◆ Dramatic service shift
- ◆ Growth!





# Questions





# LUNCH





## **Ken C. Calwell** **EVP, Build the Brand, Chief Marketing Officer**

- CMO of Domino's since 2001
  - U.S. Marketing
  - R&D
- Previously
  - VP, New Product Marketing, Wendy's
  - Sr. Director Marketing, Frito Lay
  - Sr. Director Marketing, Pizza Hut
- Indiana University MBA
- Washburn University







# Build the Brand

## Ken Calwell

**November 8, 2005**







# How We Deliver Value

$$\text{Value} = \frac{\text{Product} + \text{Service} + \text{Image}}{\text{Price}}$$





# Strategic Overview

- ◆ We are the leader in pizza delivery
- ◆ Our system is designed around delivering hot pizza to consumers quickly
- ◆ We have a solid plan that positions us to serve our target audience and continue to lead in pizza delivery





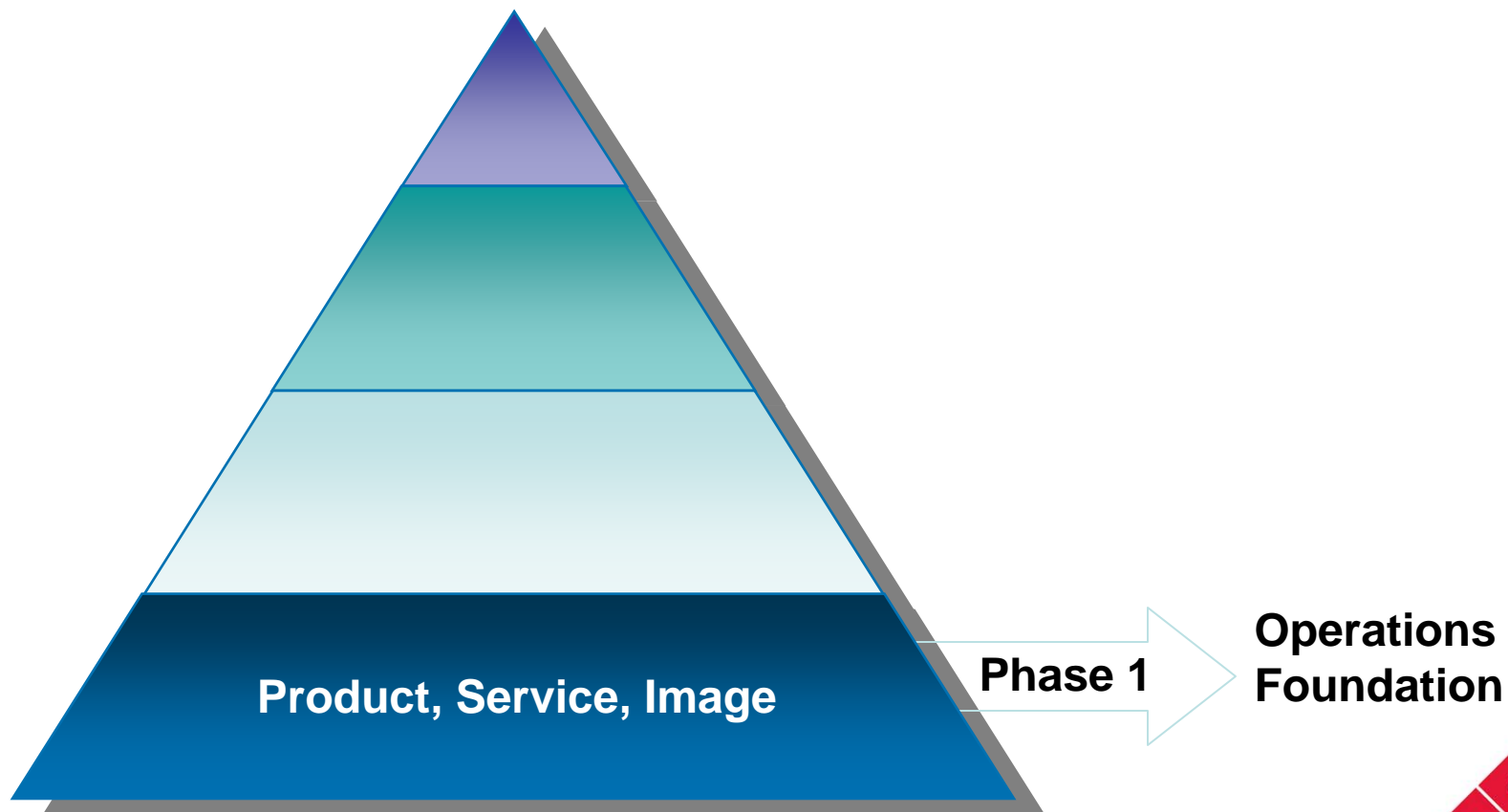
# Four Phase Growth Plan

1. Build on a strong operations foundation
2. Create a pipeline of fully-tested new product news
  - Product
  - Value
  - Service
3. Create consumer segment opportunities
4. Deliver strong, focused advertising – and more media



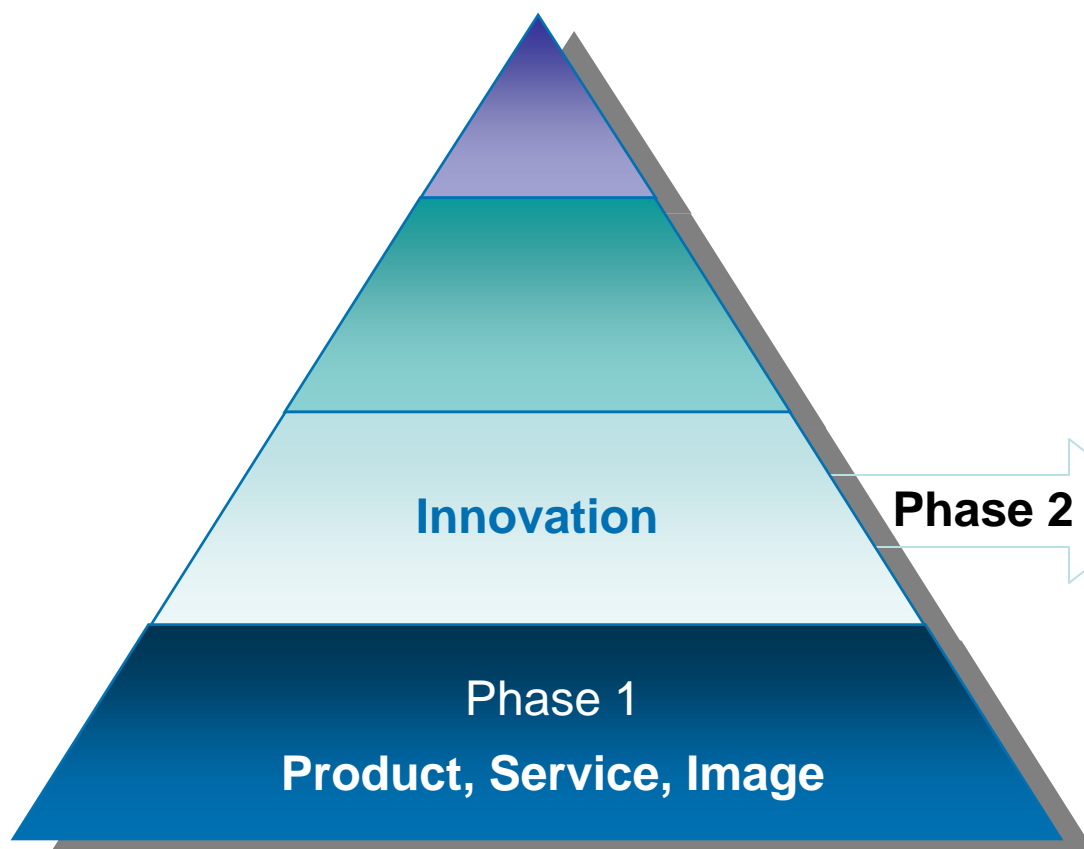


# Growth Plan: Phase 1





# Growth Plan: Phase 2



## Innovation

- ◆ Pizza News
- ◆ Value News
- ◆ Service Initiatives





## Growth Plan: Phase 2

### Consumers Demand News

- ◆ 58% of consumers say, “I like to try new products every once-in-a-while just to see if I like them better than the products I am currently using.”
  - Differentiating
  - Ownable
  - Improves unit level economics
  - Builds quality image of brand

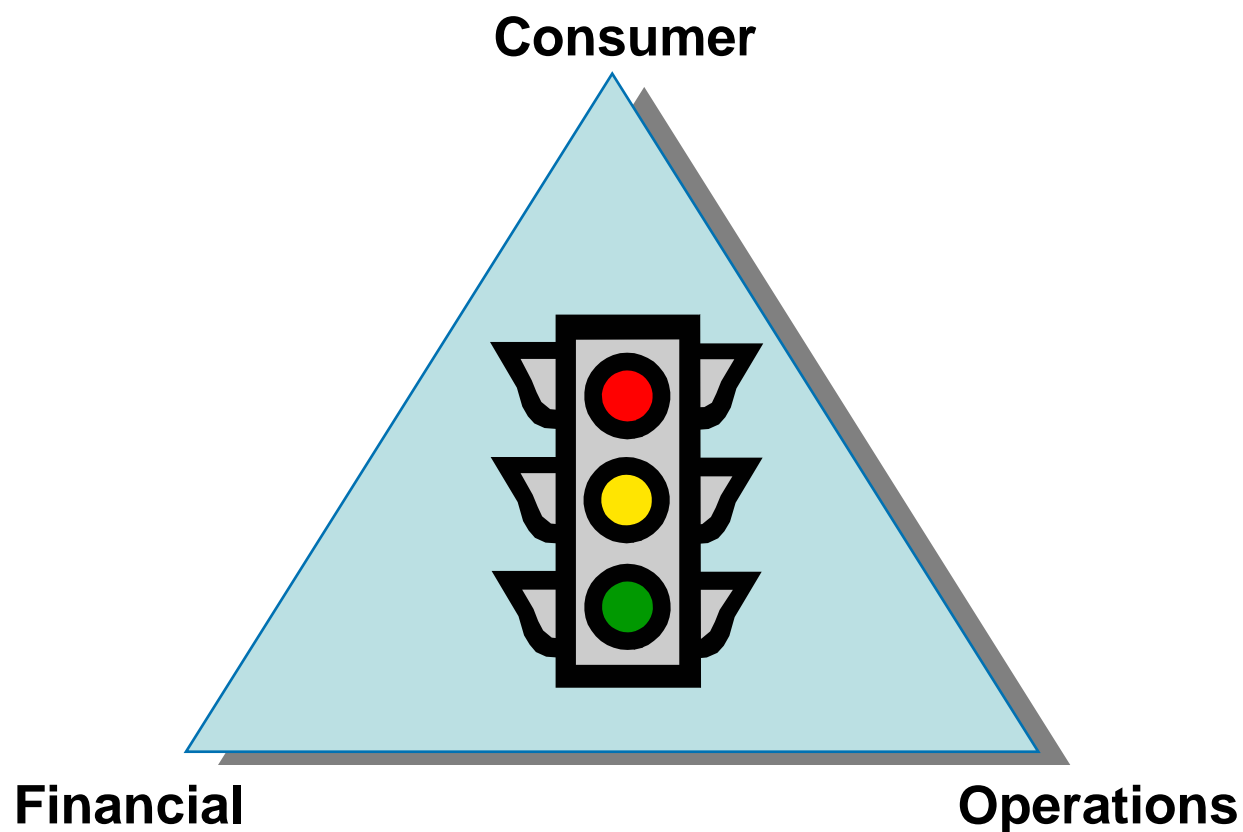
Source: Yankelovich 2001 Monitor





## Growth Plan: Phase 2

### Disciplined Testing Protocol





## Growth Plan: Phase 2

### Advertising







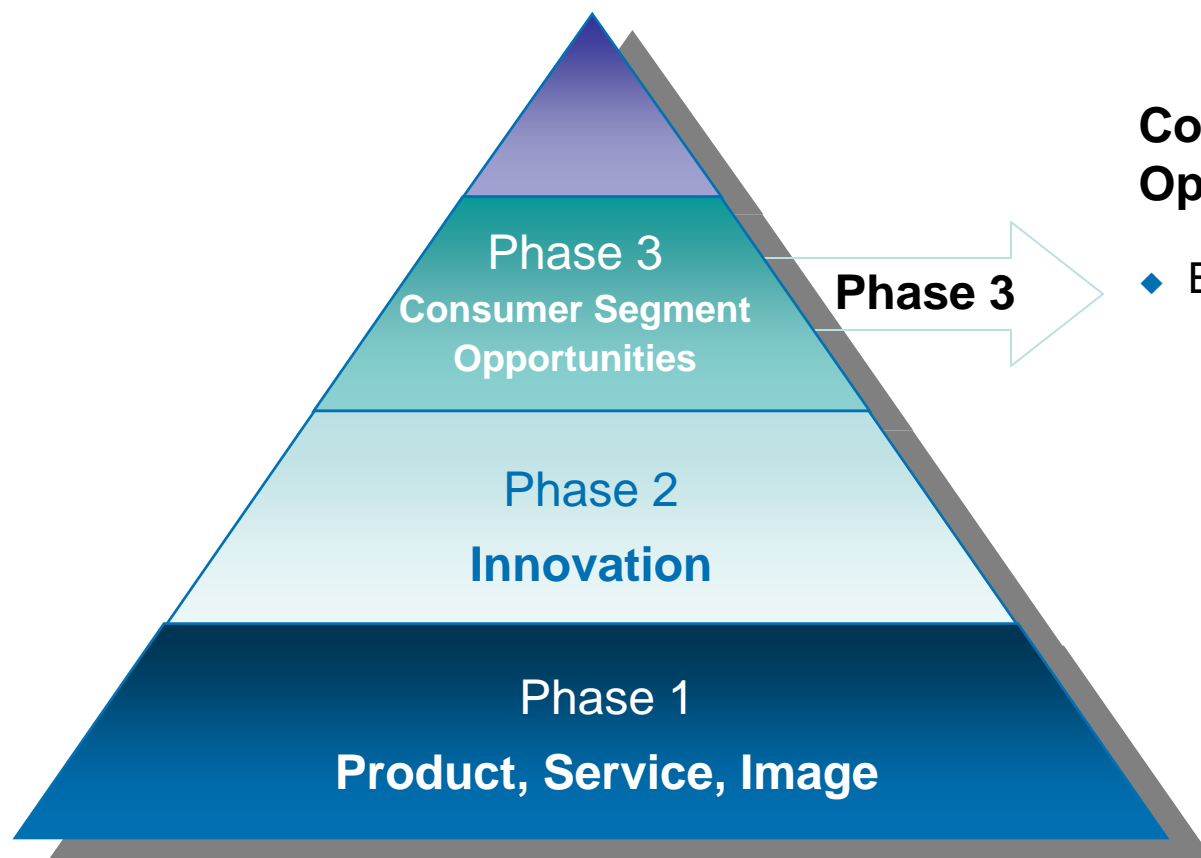
## Growth Plan: Phase 2

### New Product and Value News 2001 - 2005





# Growth Plan: Phase 3



## Consumer Segment Opportunities

- ◆ Example: Hispanic market





## Growth Plan: Phase 3

- ◆ The U.S. Hispanic population continues to grow
  - 40 million Hispanics = 14% of U.S. population
  - Top 10 growth areas:

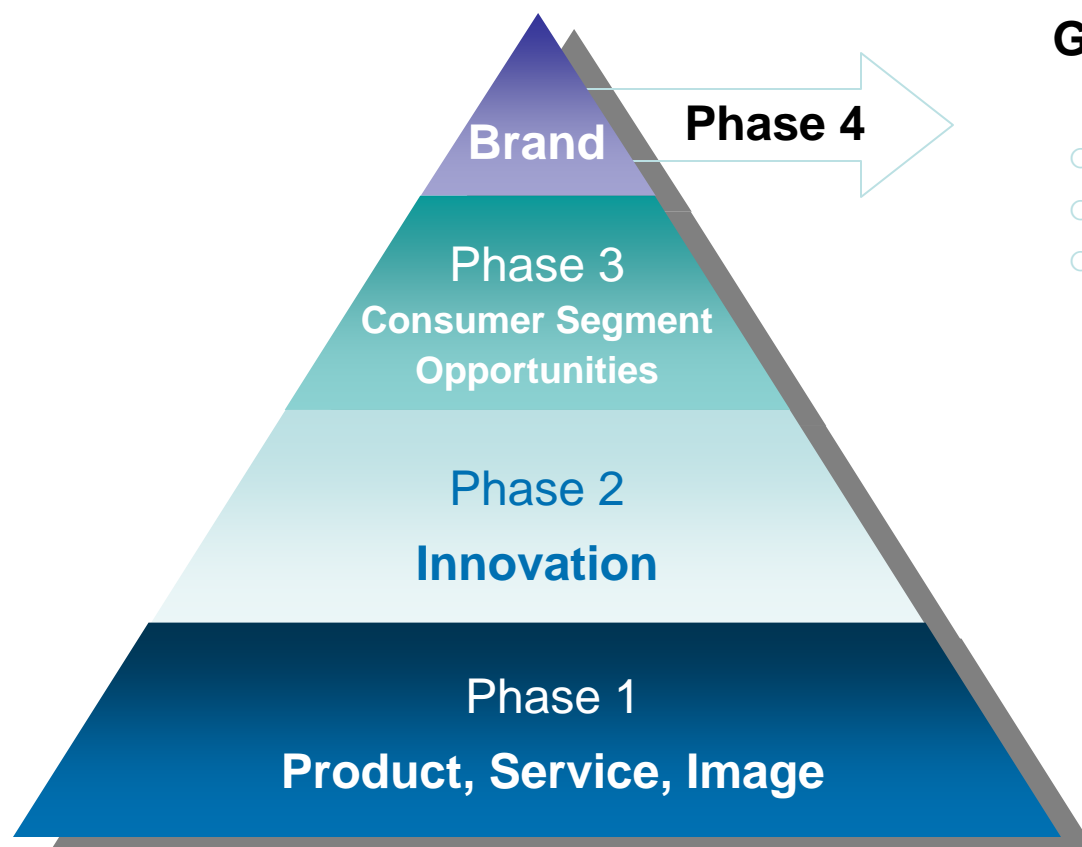
North Carolina	Arkansas	Georgia
Tennessee	Nevada	South Carolina
Alabama	Kentucky	Minnesota
Nebraska		
- ◆ Hispanic purchase power is growing at 3x the rate of non-Hispanic consumers
- ◆ Over 33% of Hispanic TV households are Spanish dominant

Source: Updated 2004 U.S. Census





# Growth Plan: Phase 4



## Brand Growth Through Great Advertising

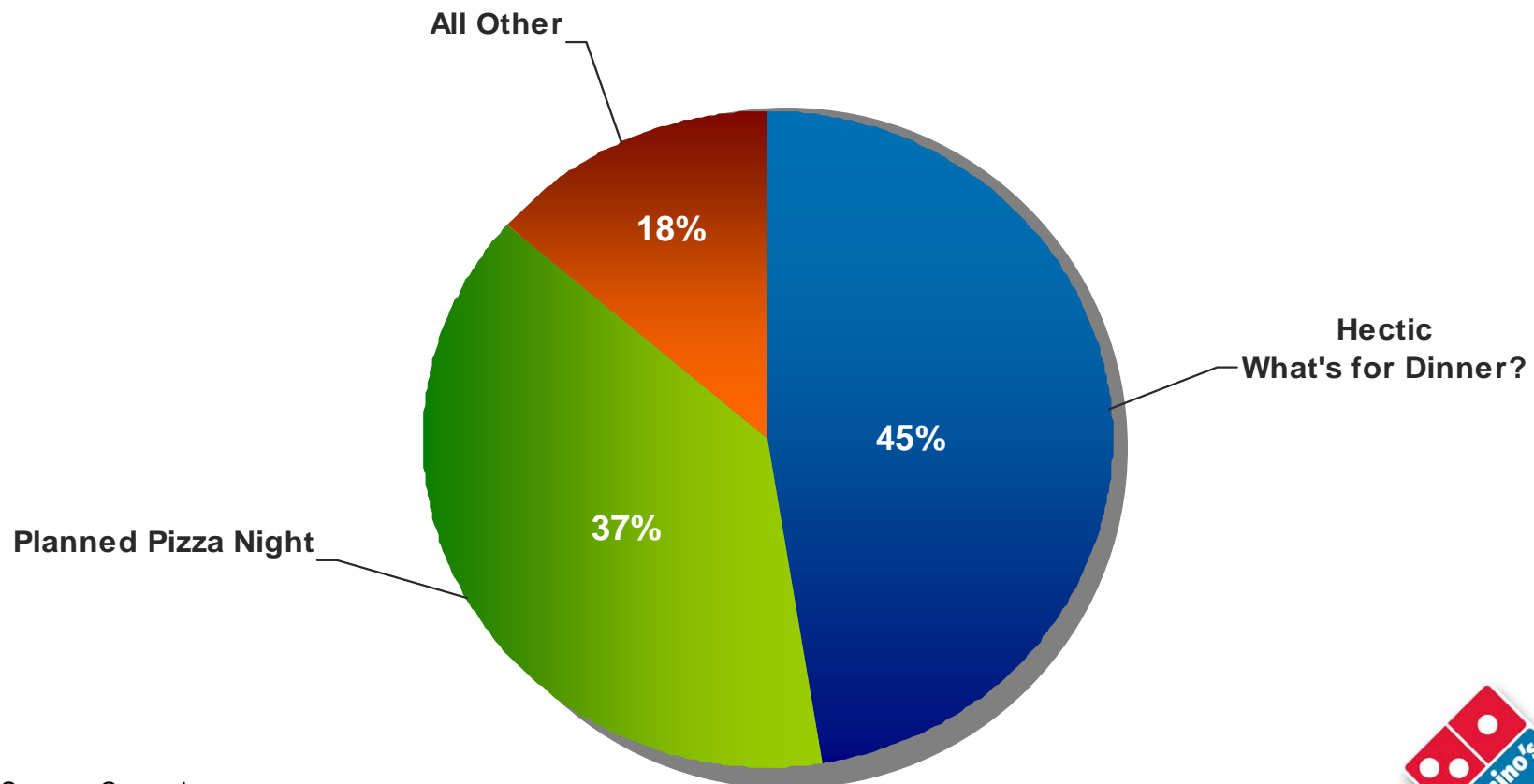
- **Message**
- Media
- Creative





## Growth Plan: Phase 4

### Understanding Our Customer



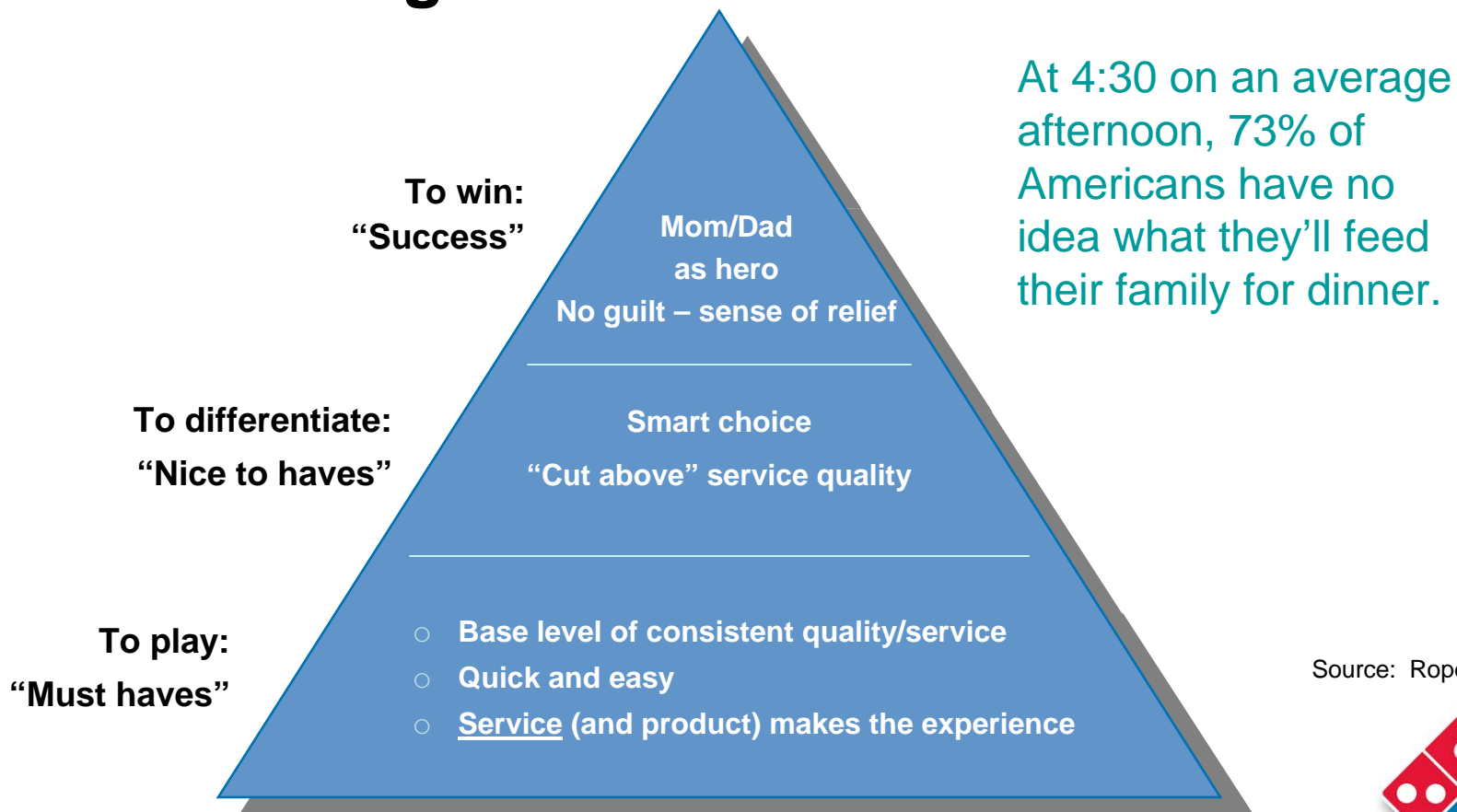
Source: Copernicus





## Growth Plan: Phase 4

### Our Target: Hectic / What's For Dinner

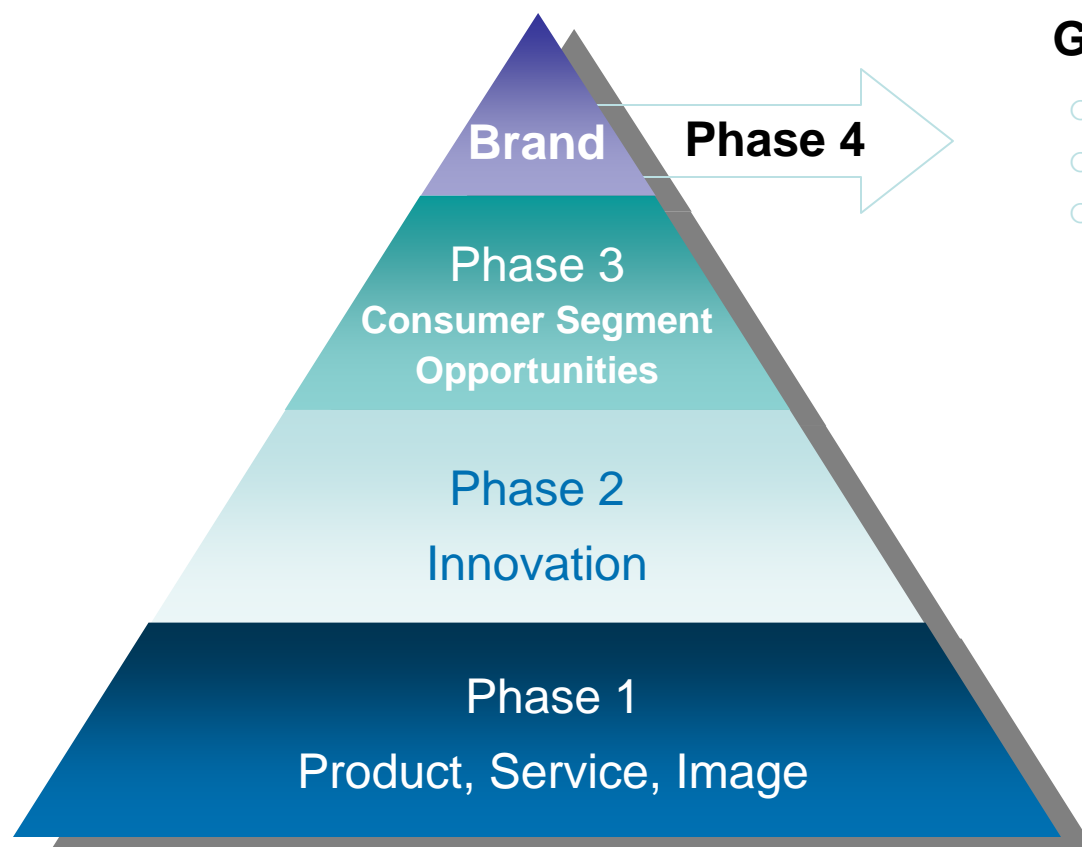


Source: Roper





# Growth Plan: Phase 4



## Brand Growth Through Great Advertising

- Message
- **Media**
- Creative





# Growth Plan: Phase 4

## Brand Development Cycle

### Brand Formation

#### Get On Air

- Growth through new customers
- Local advertiser
- Form co-ops
- Co-ops focus on TV weeks on air



### Brand Growth

#### Get More Efficient

- Growth through purchase frequency
- Shift resources from local to national
- Co-ops supplement TV presence



### Brand Leadership

#### Get More Effective

- Growth through share gains
- National brand spender with local flexibility
- Co-op strategy based on market needs







## Growth Plan: Phase 4

### Our Recent Ad Spend

Advertising “Buckets”

(8% - 10% of sales)

#### National

- ◆ 4% of sales in 2005
- ◆ 5% of sales in 2006
- ◆ TV – Print – PR

#### Co-Op

- ◆ Avg. 1.5% of sales in 2005
- ◆ Avg. 0.5% of sales in 2006
- ◆ Spot TV – Radio – Print

#### Local

- ◆ Store-by-store decision
- ◆ Averages 4% - 6% of sales
- ◆ Box toppers, sponsorships





## Growth Plan: Phase 4

### National Advertising Shift

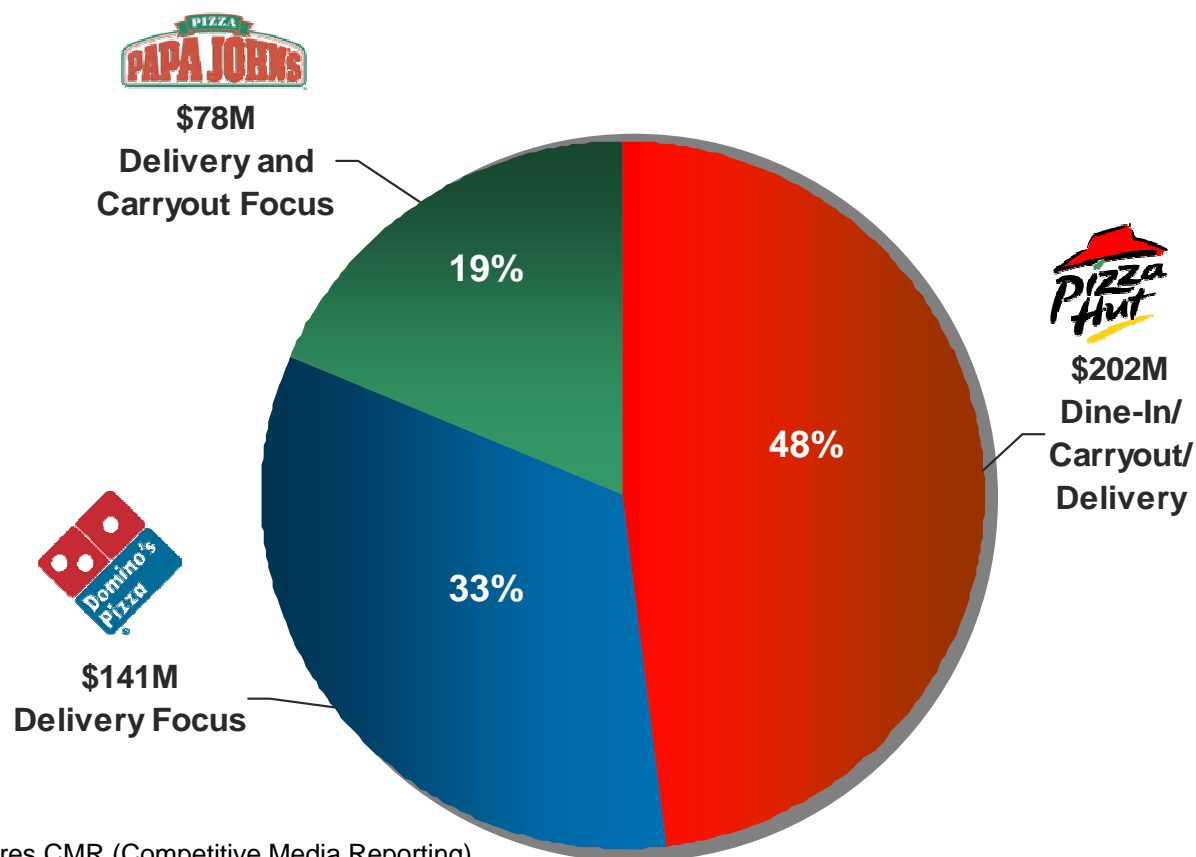
- ◆ We know that advertising drives sales
- ◆ National promotions drive higher AWUS and growth than local promotions
- ◆ More efficient...National media buys are **40%** more efficient than local buys
- ◆ Greater reach...National TV reaches **20%** more target customers than local TV





# Growth Plan: Phase 4

## 2004 Pizza Channel TV Ad Dollars by Brand

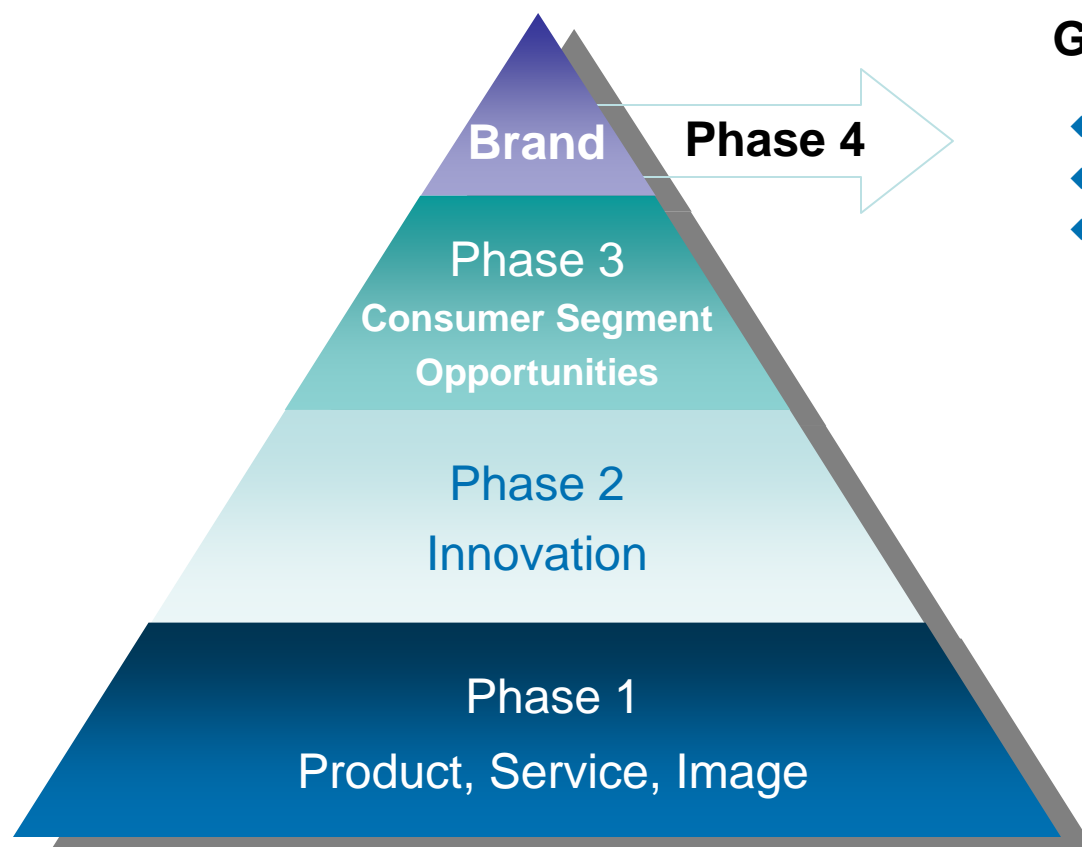


Source: Taylor Nelson Sofres CMR (Competitive Media Reporting)





# Growth Plan: Phase 4



## Brand Growth Through Great Advertising

- ◆ Message
- ◆ Media
- ◆ **Creative**





# Growth Plan: Phase 4

## Marketing Challenge





## Growth Plan: Phase 4

### Brand Engagement Marketing Strategy

- ◆ Connect with the consumer
  - Where they are
  - When they are there
  - With what they want





# Growth Plan: Phase 4

## Brand Engagement Marketing Commercials







## Growth Plan: Phase 4

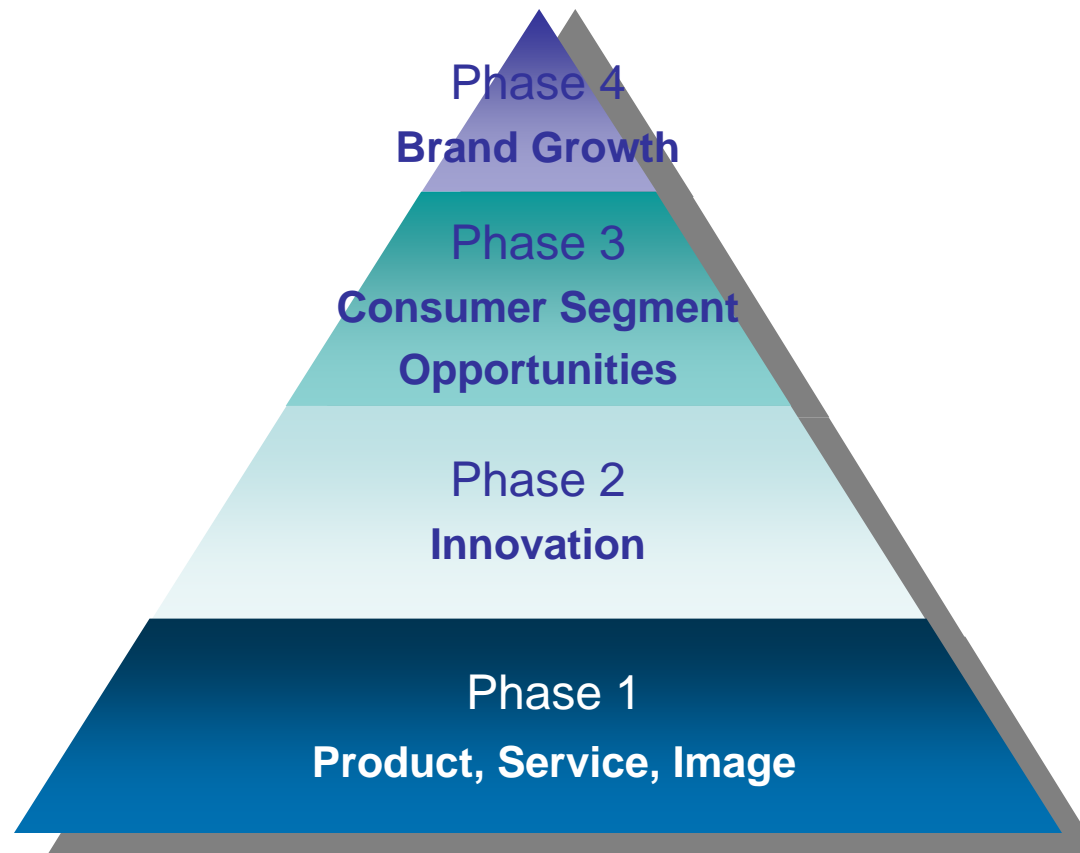
### New Product + Value Commercials







# Four Phase Growth Plan





## **Michael Lawton** **Executive Vice President, International**

- With Domino's since 1999
  - EVP International
  - Sr. VP, Finance and Administration, International
- Previously with Gerber Products
  - Sr. VP, COO
  - President, Alima Division (Poland)
  - President, Baby Care Division
  - VP Finance, International
- Grand Valley State University MBA
- Michigan State University





# International Division

## Michael Lawton

**November 8, 2005**





# International Overview

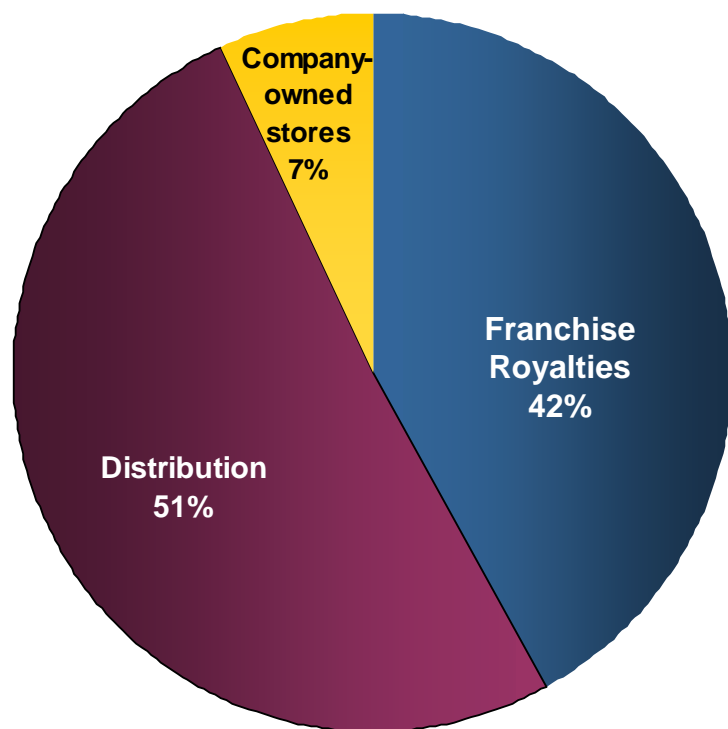
- ◆ 2,898 franchise stores
- ◆ 21 company-owned stores
- ◆ 8 dough manufacturing & distribution facilities
- ◆ Majority of profits come from royalty income



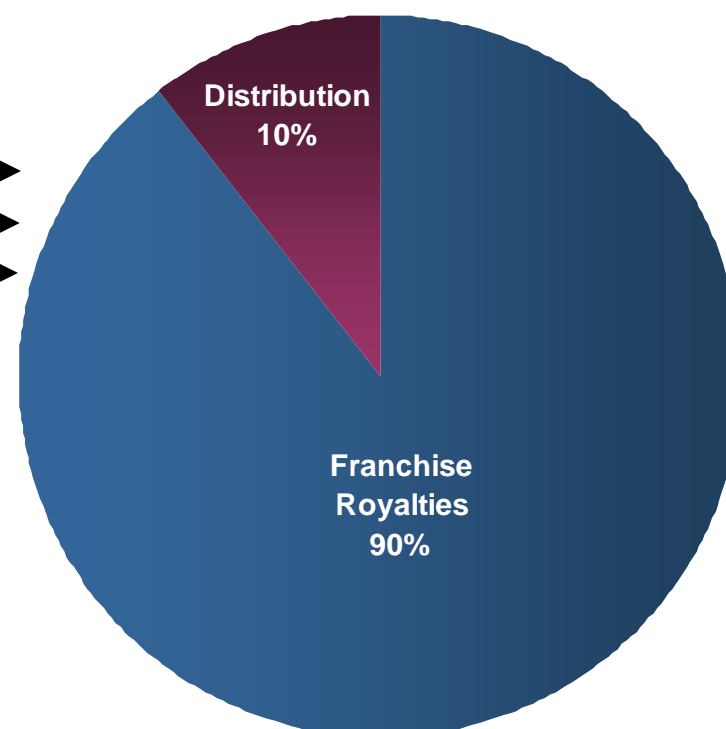
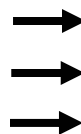


# International Segments

**YTD as of Q3 05**



Revenues



Operating Income





# International Overview

## One Brand - One System

- ◆ Same core strategy
  - ◆ Build the Brand
    - Same brand, logo and consumer promise
  - ◆ Flawless Execution
    - Same store layouts, training, OERs, and focus on people
  - ◆ Maintain High Standards
    - Same core products, audits, and approved local suppliers





# International Overview

## Differences from U.S. Market

- ◆ Some adjustment for local tastes and preferences
  - Toppings
  - Sides
- ◆ Some adaptation of model
  - Carry-out mix can be higher
  - Some have limited seating







# Master Franchise Model

## Franchisee has Market Exclusivity

- ◆ Selection based on:
  - Knowledge of the market
  - Financial resources
- ◆ Master franchisee has rights and responsibilities

Right to:	Responsible for:
<ul style="list-style-type: none"><li>- Build stores</li><li>- Sub-franchise</li><li>- Operate distribution system</li></ul>	<ul style="list-style-type: none"><li>- Meeting agreed-upon store growth</li><li>- Paying royalties</li><li>- Maintaining operating standards</li></ul>
- ◆ 10-20 year agreements with renewal rights







# Master Franchise Model

## ◆ Strengths

- Minimizes capital investment
- Majority of Domino's Pizza profits come from franchise royalties
- Earnings stream primarily from “top line” vs. “bottom line”
- Utilizes local market knowledge

## ◆ Weaknesses

- Minimizes opportunity to capture additional profits in a market





# Keys to Success

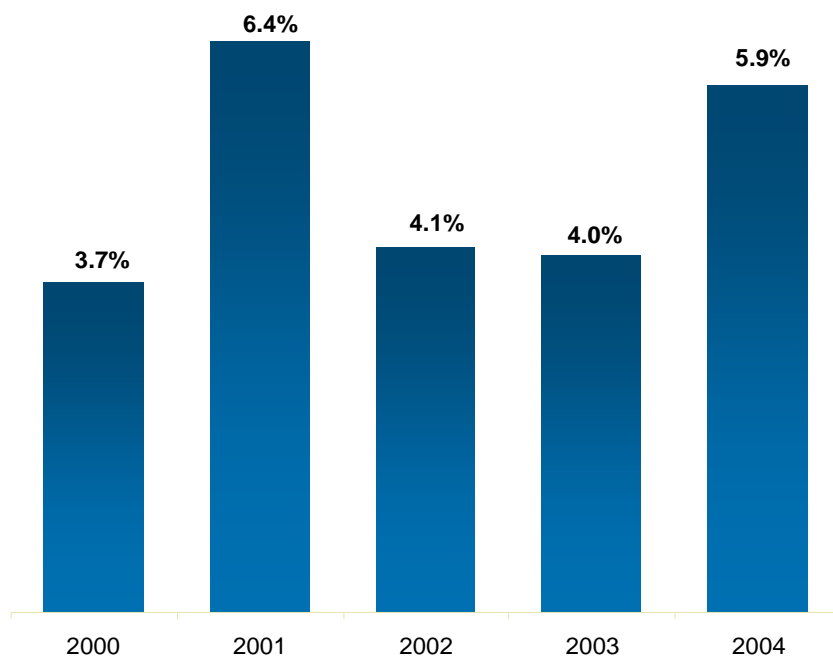
- ◆ Excellent store operations
- ◆ Achieving economies of scale
  - Operations/Overhead/Distribution
  - Mass marketing
- ◆ Quality local store marketing effort
- ◆ A great local partner
- ◆ Good inherent box economics





# Growing Sales

Same Store Sales Growth



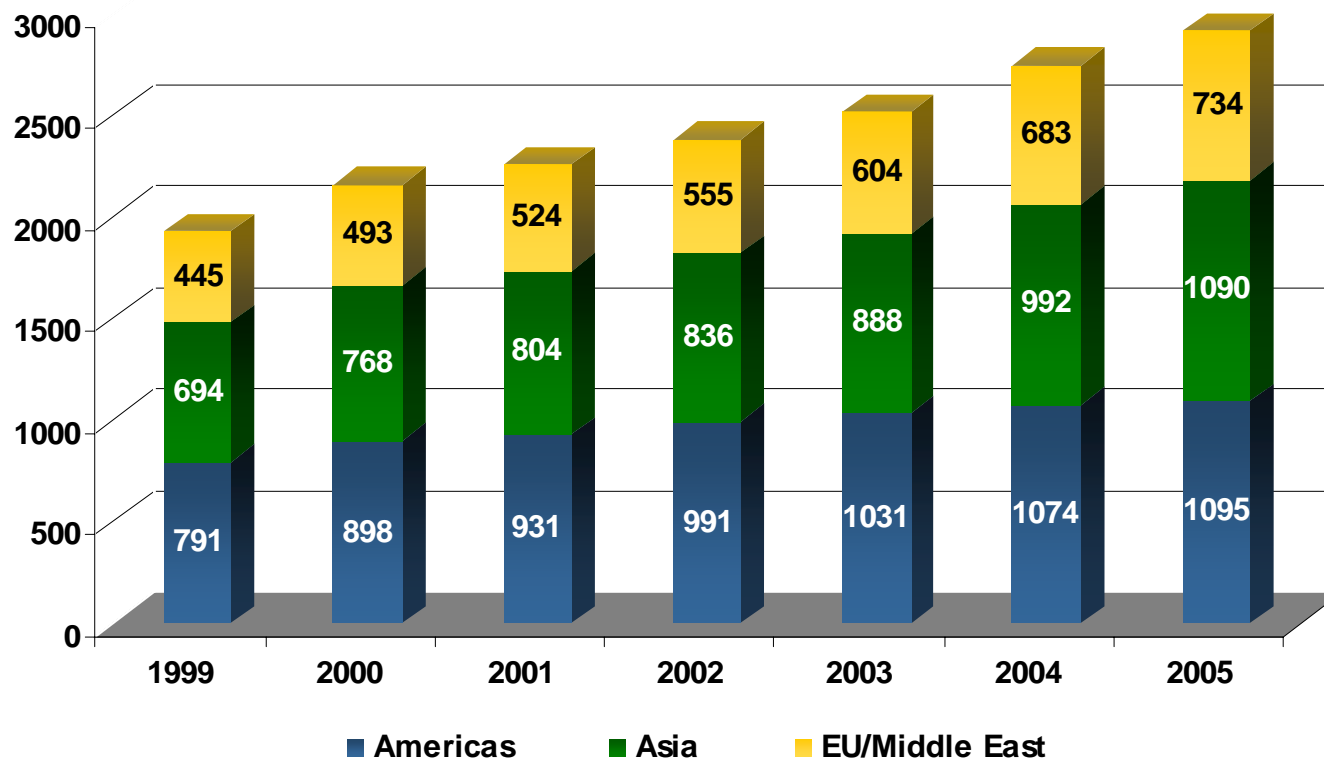
- ◆ YTD 2005 same store sales up 6.9%
- ◆ Q3 2005 marks the 47<sup>th</sup> consecutive quarter of same store sales growth for the International division
- ◆ Long term guidance +3% to +5%





# Store Growth in All Regions

Store Count by Region (1999 - Q3 2005)





# Top Ten Markets

Top 10 Markets	Q3 2005 Stores	Delivery Market Position	Potential Store Count
Mexico	513	#1	600
United Kingdom	361	#1	800
Australia	352	#1	450
South Korea	261	#2	350
Canada	246	#3	350
Japan	173	#3	700
Taiwan	108	#1	150
India	98	#1	300
France	83	#3	600
Netherlands	62	#1	200
<b>TOTAL</b>	<b>2,257</b>		<b>4,500</b>





# Early Stage Markets

- ◆ Developing markets with substantial growth potential
  - Brazil
  - Turkey
  - The Gulf region
  - Russia
  - China





# Growth Opportunities

- ◆ Continuing same store sales growth
  - Almost 12 years of quarterly growth
- ◆ Building-out of existing markets
- ◆ Attracting new and qualified master franchisees
- ◆ Converting competing chains in local markets





# International Commercials







## **Michael D. Soignet EVP, Maintain High Standards**

- With Domino's since 1981
- Responsible for
  - 17 Distribution Centers
  - Equipment & Supply
  - Purchasing
  - Quality Control
- Louisiana State University





# Distribution Michael Soignet

**November 8, 2005**





# Strategic Focus

- ◆ Goals
  - Quality and service as a competitive advantage
  - Continuous improvement in operations
  
- ◆ Strategic Initiatives
  - Support store operations
  - Reduce operating and purchasing cost
  - Build an exceptional team





# Business Segments



## Full Service Food Distributor

- Purchasing
- Warehousing
- Re-distribution



## Fresh Dough Manufacturer

- 17 Distribution Centers
- 21 production lines
- Over 380M pounds produced annually
- Continual process improvement and automation



## Equipment Distributor

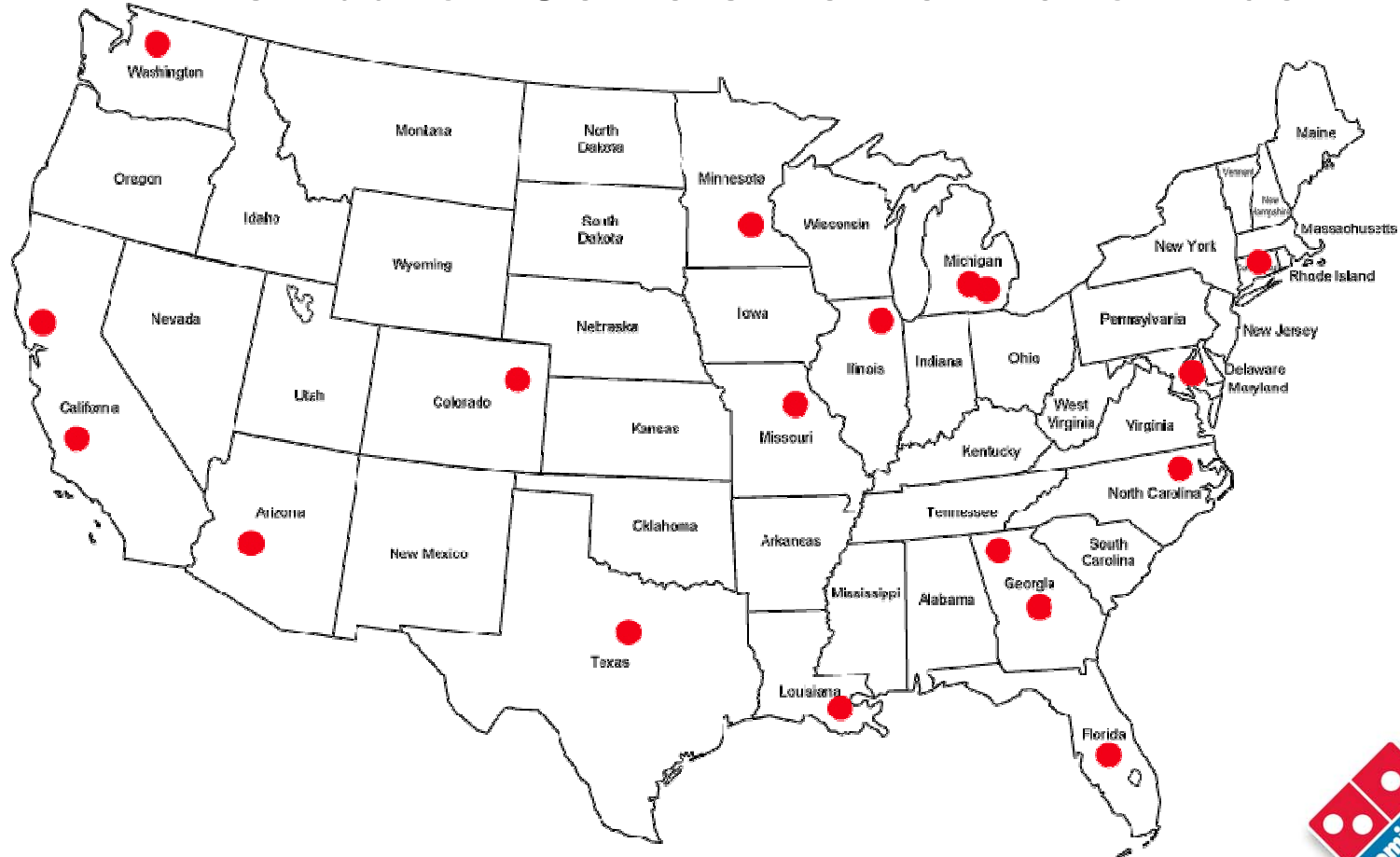
- Large equipment: ovens, coolers, etc.
- Uniforms
- Small wares





# Distribution System

## 17 Distribution Centers Deliver Nationwide





# Full Service Distribution

- ◆ Pricing Philosophy
  - Market-competitive philosophy
  - Conduct quarterly third-party price survey
  - Regular price review and changes
  
- ◆ Support and participation of franchisees
  - National and local Distribution Advisory Board
  - 98% domestic store market share
  - Store focus on product, service and sales





# Full Service Food Distributor

## Profit Sharing Basics

### Domino's Provides

- ◆ 50% profit sharing program
- ◆ Service, quality and price guarantee
- ◆ Rebate payments each period
- ◆ Agreed-upon procedures audit
- ◆ Quarterly third party pricing survey
- ◆ National advisory board

### Franchisee Provides

- ◆ 100% of products purchased from Domino's
- ◆ Electronic payment
- ◆ On-time payments
- ◆ One-year's notice for termination of contract







# Quality & Compliance

- ◆ **Store Operations Evaluation**
  - Product, service and image compliance
  - Store evaluations 2-4 times a year
  
- ◆ **Distribution Center Evaluation**
  - Operations, safety and transportation compliance
  - 17 corporate centers and the produce processing facility 3 times a year, plus 4 random audits
  - 11 franchise commissaries 2-3 times a year







# Quality & Compliance

## ◆ Quality Assurance and Standards

- Strong supplier evaluation process
- Strong product standards process
- Ongoing product compliance monitoring

## ◆ Customer Care (Pizza Consumers)

- Provide consumer concern resolution





## Other Opportunities

- ◆ **Leverage Opportunities**
  - A natural extension - potential earnings accelerator
- ◆ **Business Initiatives Underway**
  - Produce processing facility for 7 distribution centers
  - Freight redistribution of low volume items via produce plant
  - Frozen dough manufacturing of non-Domino's dough balls
- ◆ **Continue to Investigate Other Opportunities**





# Questions

