



## Domino's Pizza Announces Strong Third Quarter

October 23, 2003

ANN ARBOR, Mich., October 23, 2003 - Domino's, Inc., the recognized world leader in pizza delivery, today announced its financial results for the third quarter ended September 7, 2003. During the third quarter, the Company completed a successful recapitalization. Charges related to the recapitalization totaled approximately \$52.4 million (pre-tax) and included \$20.4 million of bond tender fees, which is included in other expense, and a \$15.6 million write-off of financing fees, which is included in interest expense. The Company also recorded \$16.4 million of general and administrative expenses, which included \$12.4 million of certain make-whole payments and \$4.0 million of other charges. The financial information reported in this press release includes all recapitalization charges and related amounts.

"One-time expenses associated with our highly successful recapitalization have obscured our otherwise positive third quarter," said David A. Brandon, Domino's Chairman and Chief Executive Officer. "We grew our domestic and international store counts and increased our system-wide sales during the quarter. In addition, excluding the recapitalization costs, we continued to improve our operating cash flow. Our brand and Company demonstrated resiliency and strength during a difficult quarter for our category and retail overall. We remain successful as a result of our relentless commitment to customer service, product improvements and innovations, and a passion for being the best pizza delivery company."

### Quarterly Highlights (versus third quarter 2002)

- Net income decreased \$29.1 million to a loss of \$18.3 million, which includes after-tax charges of \$32.8 million incurred in connection with the Company's recapitalization.
- Earnings before interest, taxes, depreciation, amortization, gains (losses) on sale/disposal of assets and other, and gain (loss) on debt extinguishments, calculated in the manner required by SFAS No. 131 and which we refer to throughout this document as SFAS 131 Reported Earnings, decreased \$14.0 million to \$25.8 million, which includes charges of \$16.4 million incurred in connection with the Company's recapitalization.
- System-wide sales increased 5.5% to a third quarter record of \$927.0 million, consisting of \$82.4 million of retail sales at our domestic Company-owned stores and \$844.6 million of retail sales at our domestic franchise and international stores. System-wide sales amounts for franchise stores are reported to us by our franchisees.
- Domestic Stores same store sales increased 0.5%; comprised of a domestic franchise same store sales increase of 0.9% offset in part by a decrease in domestic Company-owned same store sales of 2.4%.
- International same store sales increased 4.8%, on a constant dollar basis, marking the 39th consecutive quarter of international same store sales growth.
- As of the end of the third quarter, there were 7,332 Domino's Pizza stores in operation worldwide, a net increase of 194 stores since the end of the third quarter 2002.

### Recapitalization Summary:

On June 25, 2003, the Company completed a recapitalization transaction (the "2003 Recapitalization") which lowered its effective borrowing rate, and included (i) the issuance of \$403.0 million in 8 ¼% senior subordinated notes due 2011; and (ii) borrowings of \$610.0 million in term loans and a \$125.0 million revolving credit facility which was undrawn at closing. These borrowings along with cash from operations enabled the Company to:

- Purchase an aggregate of \$206.7 million of its 10 3/8% senior subordinated notes due 2009 for a total purchase price, including bond tender fees and accrued interest, of approximately \$236.7 million;
- Repay all amounts owing under its previous credit facility;
- Distribute amounts to its parent to redeem all of its 11.5% Cumulative Preferred Stock for approximately \$200.5 million and to pay a dividend to shareholders of approximately \$188.3 million; and
- Make compensatory make-whole payments to parent company shareholders and option holders of approximately \$12.4 million.

[Full Third Quarter Results \(PDF\)](#)