Dominos Pizza Annual Report 2021

Form 10-K (NYSE:DPZ)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended January 3, 2021

or

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

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)

Registrant's telephone number, including area code (734) 930-3030

Securities registered pursuant to Section 12(b) of the 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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act: Yes ☐ No ☒
Indicate by check mark whether the 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 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): Yes ☐ No ☒

The aggregate market value of the voting and non-voting common stock held by non-affiliates of Domino's Pizza, Inc. as of June 14, 2020 computed by reference to the closing price of Domino's Pizza, Inc.'s common stock on the New York Stock Exchange on such date was $14,785,755,999.

As of February 18, 2021, Domino's Pizza, Inc. had 38,803,504 shares of common stock, par value $0.01 per share, outstanding.

Documents incorporated by reference:

Portions of the definitive proxy statement to be furnished to shareholders of Domino's Pizza, Inc. in connection with the annual meeting of shareholders to be held on April 27, 2021 are incorporated by reference into Part III.

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Throughout this document, Domino's Pizza, Inc. (NYSE: DPZ) is referred to as the "Company," "Domino's," "Domino's Pizza" or in the first-person notations of "we," "us" and "our."

In this document, we rely on and refer to information regarding the U.S. quick service restaurant, or QSR, sector and the U.S. QSR pizza category from CREST® ongoing foodservice market research (years ending November) prepared by The NPD Group, as well as market research reports, analyst reports and other publicly-available information. Although we believe this information to be reliable, we have not independently verified it. U.S. sales information relating to the U.S. QSR sector and the U.S. QSR pizza category represent reported consumer spending obtained by The NPD Group's CREST® ongoing foodservice market research from consumer surveys. This information relates to both our Company-owned and franchised stores.

Part I
Item 1. Business.

Overview

Domino's is the largest pizza company in the world based on global retail sales, with more than 17,600 locations in over 90 markets around the world as of January 3, 2021. Founded in 1960, our roots are in convenient pizza delivery, while a significant amount of our sales also come from carryout customers. We are a highly-recognized global brand and we focus on serving neighborhoods locally through our large global network of franchise owners and U.S. Company-owned stores. We are primarily a franchisor, with approximately 98% of Domino's stores currently owned and operated by our independent franchisees. Franchising enables an individual to be his or her own employer and maintain control over all employment-related matters and pricing decisions, while also benefiting from the strength of the Domino's global brand and operating system with limited capital investment by us.

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

Domino's generates revenues and earnings by charging royalties and fees to our franchisees. Royalties are ongoing percent-of-sales fees for use of the Domino's® brand marks. We also generate revenues and earnings by selling food, equipment and supplies to franchisees through our supply chain operations, primarily in the U.S. and Canada, and by operating a number of Company-owned stores in the 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 may profit by sub-franchising and selling food and equipment to those sub-franchisees, as well as by running pizza stores. We believe that everyone in the system can benefit, including the end consumer, who can purchase Domino's menu items for themselves and their family conveniently and economically.

The Domino's business model can yield strong returns for our franchise owners and our Company-owned stores. It can also yield significant cash flows to us, through a consistent franchise royalty payment and supply chain revenue stream, with moderate capital expenditures. We have historically returned cash to shareholders through dividend payments and share repurchases. These factors emphasize our focus on our stakeholders, including our customers, team members, franchisees, communities and shareholders.

Our History

We pioneered the pizza delivery business and have been delivering quality, affordable food to our customers since 1960. We became "Domino's Pizza" in 1965 and opened our first franchised store in 1967. Over the last 60 years, we have built Domino's into one of the most widely-recognized consumer brands in the world. We believe our commitment to value, convenience, quality and new products continues to keep consumers engaged with the brand.

During 2020, in the midst of the uncertain environment created by the novel coronavirus ("COVID-19") pandemic, we continued to increase global retail sales, and our supply chain operations experienced higher volumes as a result of the increase in U.S. retail sales. We also launched three new products in the U.S., including new and improved chicken wings and the new chicken taco and cheeseburger specialty pizzas, each of which has been positively received by consumers. Additionally, emphasis on technological innovation helped us achieve more than half of all global retail sales in 2020 from digital channels. In the U.S., we have developed several innovative ordering platforms, including those for Google Home, Facebook Messenger, Apple Watch, Amazon Echo, Twitter and more. In 2019, we announced a partnership with Nuro to further our exploration and testing of autonomous pizza delivery. In 2020, we added GPS to our Domino's Tracker®, which allows customers to monitor the progress of their food, from the preparation stages to the time it is in the oven, to the time it arrives at their doors. Most recently, we launched a new way to order contactless carryout nationwide – via Domino's Carside Delivery™, which customers can choose when placing a prepaid online order. This new service method emphasizes our commitment to serving hot and delicious pizza in a convenient, contactless manner.

Since 1998, the Company has been structured with a leveraged balance sheet and has completed a number of recapitalization transactions. The Company's most recent recapitalization transaction in 2019 (the "2019 Recapitalization") primarily consisted of the issuance of $675.0 million of fixed rate notes. As of January 3, 2021, the Company had $4.12 billion in total debt, which included debt from its 2019 Recapitalization and its previous recapitalization transactions in 2018, 2017 and 2015 (the "2018 Recapitalization," "2017 Recapitalization" and the "2015 Recapitalization," respectively, and together with the 2019 Recapitalization, the "2019, 2018, 2017 and 2015 Recapitalizations").

Our Industry

The U.S. QSR pizza category is large and fragmented. From 2015 through 2020, the U.S. QSR pizza category has grown from $36.0 billion to $38.2 billion. It is the second-largest category within the $272.0 billion U.S. QSR sector. The U.S. QSR pizza category is primarily comprised of delivery, dine-in and carryout, with carryout and delivery comprising the two largest segments.

In the U.S., we compete primarily in the delivery and carryout segments of the pizza industry, and we are the dollar market share leader for delivery and a growing leader in carryout. Delivery segment dollars of $14.0 billion in 2020 (up from $10.4 billion in 2015) account for approximately 37% of total U.S. QSR pizza. The four industry leaders, including Domino's, account for over 63% of U.S. pizza delivery, based on reported consumer spending, with the remaining dollars going to regional chains and independent establishments. From 2015 to 2020, the carryout segment grew from $17.5 billion to $20.3 billion. The four industry leaders, including Domino's, account for approximately 48% of the carryout segment. (Source: The NPD Group/CREST®, year ending November 2020).

In contrast to the U.S., international pizza delivery is relatively underdeveloped, with only Domino's and two other competitors having a significant global presence. We believe that demand for pizza delivery and pizza carryout is large and growing throughout the world, driven by international consumers' increasing emphasis on convenience, and our proven success of more than 35 years of conducting business abroad.

Our Competition

The global pizza delivery and carryout segments, as well as the broader QSR sector, are highly competitive. In the U.S., we compete against regional and local companies as well as national chains Pizza Hut®, Papa John's® and Little Caesars Pizza®. Internationally, we compete primarily with Pizza Hut®, Papa John's® and country-specific national and local pizzerias. We generally compete on the basis of product quality, location, image, service, technology, convenience and price. Our business and those of our competitors can be affected by changes in consumer tastes, economic conditions, demographic trends, marketing, advertising, pricing and consumers' disposable income. We also compete with other food, food delivery and order and delivery aggregation companies, which have continued to grow in size and scale in recent years. We compete not only for customers, but also for management and hourly employees, including store team members, drivers and qualified franchisees, as well as suitable real estate sites.

Our Customers

The Company's business is not dependent upon a single retail customer or small group of customers, including franchisees. No customer accounted for more than 10% of total consolidated revenues in 2020, 2019 or 2018. As of January 3, 2021, our largest franchisee based on store count, Domino's Pizza Enterprises (DMP: ASX), operated 2,797 stores in nine international markets, and accounted for 16% of our total store count. Revenues from this master franchisee accounted for 1.5% of our consolidated revenues in 2020. Our international franchise segment only requires a modest amount of general and administrative expenses to support its markets and does not have a cost of sales component. Therefore, the vast majority of these royalty revenues result in profits to us.

Our Menu

We offer a menu designed to present an attractive, quality offering to customers, while keeping it simple enough to minimize order errors and expedite order-taking and food preparation. Our basic menu features pizza products with varying sizes and crust types. Our typical store also offers oven-baked sandwiches, pasta, boneless chicken and chicken wings, bread side items, desserts and soft drink products. International markets vary toppings by country and culture, such as the Indi Tandoori Paneer pizza in India, featuring spicy paneer, peppers and mint mayo, or the Octopus Bomb Shrimp in Korea, featuring shrimp, octopus, vegetables, feta cream and horseradish sauce.

Store Image and Operations

We have been focused on pizza delivery for 60 years, and we also emphasize carryout as a significant component of our business. The majority of our U.S. and international stores are constructed in the carryout-friendly Pizza Theater design. Many of these stores offer casual seating and enable customers to watch the preparation of their orders, but do not offer a full-service dine-in experience. As a result, our stores generally do not require expensive restaurant facilities and staffing.

Our Business Segments

We operate, and report, three business segments: U.S. stores, international franchise and supply chain.

U.S. Stores

During 2020, our U.S. stores segment accounted for $1.45 billion, or 35% of our consolidated revenues. Our U.S. stores segment consists primarily of our franchise operations, which consisted of 5,992 franchised stores located in the United States as of January 3, 2021. We also operated a network of 363 U.S. Company-owned stores as of January 3, 2021.

Directly operating Domino's stores contributes significantly to our ability to act as a credible franchisor. We also use our Company-owned stores as test sites for technological innovation and promotions as well as operational improvements. We also use them for training new store managers and operations team members, as well as developing prospective franchisees. While we are primarily a franchised business, we continuously evaluate our mix of U.S. Company-owned and franchise stores. As of January 3, 2021, franchised stores represented approximately 94% of our total store count within our U.S. stores segment.

U.S. Franchise Profile

As of January 3, 2021, our network of 5,992 U.S. franchise stores was owned and operated by 762 independent U.S. franchisees. Our franchise formula enables franchisees to benefit from our brand recognition with a relatively low initial capital investment. As of January 3, 2021, the average U.S. franchisee owned and operated approximately seven stores and had been in our franchise system for over 18 years. Additionally, 19 of our U.S. franchisees operated more than 50 stores (including our largest U.S. franchisee who operated 178 stores) and 228 of our U.S. franchisees each operated one store, each as of that date.

We apply rigorous standards to prospective U.S. franchisees. We generally require them to manage a store for at least one year and graduate from our franchise management school program before being granted the right to franchise. This enables us to observe the operational and financial performance of a potential franchisee prior to entering into a long-term agreement. Substantially all of our independent U.S. franchise owners started their careers with us as delivery drivers or in other in-store positions, which we believe offers advantages in terms of familiarity with our business and store operations. In addition, we generally restrict the ability of U.S. franchisees to be involved in other businesses, which we believe helps focus our franchisees' attention on operating their stores. We believe these characteristics and standards are largely unique within the franchise industry and have resulted in qualified and focused franchisees operating Domino's stores. We maintain a productive relationship with our independent franchise owners through regional franchise teams, distributing materials that help franchise stores comply with our standards and using franchise advisory groups that facilitate communications between us and our franchisees. We consider our relationship with our U.S. franchisees to be good.

U.S. Franchise Agreements

We enter into franchise agreements with U.S. franchisees under which the franchisee is generally granted the right to operate a store in a particular location for a term of ten years, with an ability to renew for an additional term of ten years. We had a franchise agreement renewal rate of approximately 99% in 2020. Under the current standard franchise agreement, we assign an exclusive area of primary responsibility to each franchised store. Each franchisee is generally required to pay a 5.5% royalty fee on sales, as well as certain technology fees. In certain instances, we will collect lower rates based on certain incentives.

Our stores in the United States currently contribute 6% of their sales to fund national marketing and advertising campaigns (subject, in certain instances, to lower rates based on certain incentives and waivers). These funds are administered by Domino's National Advertising Fund Inc. ("DNAF"), our consolidated not-for-profit advertising subsidiary. The funds are primarily used to purchase media for advertising, and also to support market research, field communications, public relations, commercial production, talent payments and other activities to promote the Domino's brand. In addition to the national and market-level advertising contributions, U.S. stores generally spend additional funds on local store marketing activities.

We have the contractual right, subject to state law, to terminate a franchise agreement for a variety of reasons, including, but not limited to, a franchisee's failure to adhere to the Company's franchise agreement, failure to make required payments, or failure to adhere to specified Company policies and standards.

International Franchise

During 2020, our international franchise segment accounted for $249.8 million, or 6% of our consolidated revenues. This segment is comprised of a network of franchised stores in more than 90 international markets. At January 3, 2021, we had 11,289 international franchise stores. The principal sources of revenues from those operations are royalty payments generated by retail sales from franchised stores, as well as certain technology fees.

Our international franchisees employ our basic standard operating model and adapt it to satisfy the local eating habits and consumer preferences of various regions outside the U.S. Currently, the vast majority of our international stores operate under master franchise agreements.

We believe Domino's appeals to potential international franchisees because of our recognized brand name and technological leadership, the moderate capital expenditures required to open and operate the stores and the system's desirable store-level profitability. Stores in seven of our ten largest international markets in terms of store count are operated by master franchise companies that are publicly traded on stock exchanges as noted in the below table. The following table shows our store count as of January 3, 2021 in our ten largest international markets, which accounted for approximately 62% of our international stores as of that date.

Market	Number of stores
India (JUBLFOOD: NS)	1,313
United Kingdom (DOM: L)	1,144
Mexico (ALSEA: MX)	779
Japan (DMP: ASX)	742
Australia (DMP: ASX)	709
Turkey (DPEU: L)	560
Canada	541
South Korea	466
France (DMP: ASX)	431
China	363

International Franchisee Profile

The vast majority of our markets outside of the U.S. are operated by master franchisees with franchise and distribution rights for entire regions or countries. In a few select markets, we franchise directly to individual store operators. Prospective master franchisees are required to possess local market knowledge to establish and develop Domino's stores, with the ability to identify and access targeted real estate sites, as well as expertise in local laws, customs, culture and consumer behavior. We also seek candidates that have access to sufficient capital to meet growth and development plans. We consider our relationship with our international franchisees to be good.

International Master Franchise and Other Agreements

Our international master franchise agreements generally grant the franchisee exclusive rights to develop and sub-franchise stores, and the right to operate supply chain centers in particular geographic areas. Agreements are generally for a term of ten years, with options to renew for additional terms. The agreements typically contain growth clauses requiring franchisees to open a minimum number of stores within a specified period. The master franchisee is generally required to pay an initial, one-time franchise fee as well as an additional franchise fee upon the opening of each new store. The master franchisee is also required to pay a continuing royalty fee as a percentage of sales, which varies among international markets and may also differ based on certain incentives and concessions, and averaged approximately 2.9% in 2020. We also have agreements with certain of our international master franchisees with respect to certain technology fees.

Supply Chain

During 2020, our supply chain segment accounted for $2.42 billion, or 59% of our consolidated revenues.
We operate 21 regional dough manufacturing and supply chain centers in the U.S., two thin crust manufacturing facilities and one vegetable processing center in the U.S. and five dough manufacturing and supply chain centers in Canada. Our supply chain segment leases a fleet of approximately 900 tractors and trailers. We plan to continue investing in additional supply chain capacity in the future. Our centers produce fresh dough and purchase, receive, store and deliver quality food and other complementary items to substantially all of our U.S. stores and most of our Canadian franchised stores. We regularly supply over 6,800 stores with various food and supplies.

We believe our franchisees voluntarily choose to obtain food, supplies and equipment from us because we offer the most efficient, convenient and cost-effective alternative, while also offering both quality and consistency. Our supply chain segment offers profit-sharing arrangements to U.S. and Canadian franchisees who purchase all of their food for their stores from our centers. These profit-sharing arrangements generally offer participating franchisees and Company-owned stores with 50% (or a higher percentage in the case of Company-owned stores and certain franchisees who operate a larger number of stores) of the pre-tax profit from our supply chain center operations. We believe these arrangements strengthen our ties to and provide aligned benefits with franchisees.

Third-Party Suppliers

A significant amount of our annual food spend is with suppliers with whom we maintain long-standing partnerships. Our supply partners are required to meet strict quality standards to ensure food safety. We review and evaluate these partners' quality assurance programs through (among other actions) on-site visits, third-party audits and product evaluations designed to ensure compliance with our standards. We believe the length and quality of our relationships with third-party suppliers provides us with priority service and quality products at competitive prices.

Cheese is our largest food cost. The price we charge to our U.S. franchisees for cheese is formula-based, with the Chicago Mercantile Exchange cheddar block price as the primary component, plus a supply chain markup. As cheese prices fluctuate, our revenues and margin percentages in our supply chain segment also fluctuate; however, actual supply chain dollar margins remain unchanged. We currently purchase our U.S. pizza cheese from a single supplier. Under our September 2017 agreement, our U.S. supplier agreed to provide the Company with an uninterrupted supply of cheese and the Company agreed to a seven-year pricing schedule to purchase all of its U.S. pizza cheese from this supplier. While we expect to meet the terms of this agreement, if we do not, we will be required to repay certain negotiated cost savings as provided in the agreement. The majority of our meat toppings in the U.S. come from a single supplier under a contract that expires in June 2022. We have the right to terminate these arrangements for quality failures and for certain uncured breaches.

We have entered into a multi-year agreement with Coca-Cola® for the U.S. This contract, renegotiated in June 2019, provides for Coca-Cola to continue to be our exclusive beverage supplier and expires on December 31, 2023 or at such time as a minimum number of cases of Coca-Cola products are purchased by Domino's, whichever occurs later.

We believe alternative third-party suppliers are available for all of these referenced products. While we may incur additional costs if we are required to replace any of our supply partners, we do not believe such additional costs would have a material adverse effect on our business. We continually evaluate each supply category to determine the optimal sourcing strategy.

We have not experienced any significant shortages of supplies or delays in receiving our inventories or products. Prices charged to us by our supply partners are subject to fluctuation, and we have historically been able to pass increased costs and savings on to stores. We periodically enter into supplier contracts to manage the risk from changes in commodity prices. We do not engage in speculative transactions, nor do we hold or issue financial instruments for trading purposes.

Our Strengths

Strong Brand Equity

We are the largest pizza company in the world based on global retail sales. We believe our Domino's brand is one of the most widely-recognized consumer brands in the world. We are the recognized world leader in pizza delivery and have a significant business in carryout. We believe consumers associate our brand with the timely delivery of quality, affordable food and technological innovation.

Over the past five years, our U.S. franchise and Company-owned stores have invested an estimated $2.2 billion in national, co-operative and local advertising. Our international franchisees also invest significant amounts in advertising efforts in their markets. We continue to reinforce our brand with extensive advertising through various media channels. We have also enhanced the strength of our brand through marketing affiliations with brands such as Coca-Cola.

We are the number one pizza delivery company in the U.S. with a 36% share of pizza delivery based on consumer spending data for the year ending November 2020. For the same period, we are also a growing leader in carryout with a 15% share of carryout pizza consumer spending (Source: The NPD Group/CREST®, year ending November 2020). With 6,355 stores located in the U.S., our store delivery areas cover a majority of U.S. households. Our share position and scale allow us to leverage our purchasing power, supply chain strength and marketing investments. We believe our scale and market coverage allow us to effectively serve our customers' demands for convenience and timely delivery. Outside the U.S., we have significant market share positions in many of the markets in which we compete.

Strong and Proven Business Model

Our business model generates U.S. and international franchise royalties and fees, supply chain revenue and retail sales at Company-owned stores. We have developed this model over our many years of operation, and it is anchored by strong store-level economics, which provide an entrepreneurial incentive for our franchisees and historically has generated demand for new stores. Over the past ten years, average U.S. store profitability in the Domino's system has increased meaningfully, resulting in higher profitability for our franchise owners. Our franchise system, in turn, has produced strong and consistent earnings for us through royalty payments and through supply chain revenues.

We developed a cost-efficient store model, characterized by a delivery- and carryout-oriented store design, with moderate capital requirements and a menu of quality, affordable items. At the store level, we believe the simplicity and efficiency of our operations give us significant advantages over our competitors, who, in many cases, also focus on dine-in or have broader menu offerings. At the supply chain level, we believe we provide quality, good value and consistency for our franchise customers while also driving profits for us, which we share with our franchisees under the profit-sharing arrangements described above.

Our menu simplifies and streamlines production and delivery processes and maximizes economies of scale on purchases of our principal food items. In addition, our stores, including those in our Pizza Theater image, are generally smaller and less expensive to build, furnish and maintain as compared to many other restaurant concepts, and they create a positive experience for our carryout customers. The combination of this efficient store model and strong sales volume has resulted in strong store-level economics and, we believe, makes Domino's an attractive business opportunity for existing and prospective franchisees around the world. We and our franchisees are continuing to focus on growing our global store 2count. In recent years, we have focused specifically on increasing our presence in our existing markets to provide better service to our customers, including shrinking our delivery areas to provide better delivery service and adding locations that are closer to our carryout customers. We call this approach our fortressing strategy.

We believe our store financial returns have led to a strong, well-diversified franchise system. This established franchise system has produced strong cash flows and earnings for us, enabling us to invest in the Domino's brand, stores, technology and supply chain centers, pay dividends, repurchase and retire shares of our common stock and service our debt obligations.

Technological Innovation

Technological innovation is vital to our brand and our long-term success, and digital ordering is critical to competing in the global pizza and broader QSR industries. Emphasis on technological innovation helped us achieve more than half of all global retail sales in 2020 from digital channels. In the U.S., we have developed several innovative ordering platforms, including those for Google Home, Facebook Messenger, Apple Watch, Amazon Echo, Twitter and more. In 2019, we announced a partnership with Nuro to further our exploration and testing of autonomous pizza delivery. In 2020, we added GPS to our Domino's Tracker, which allows customers to monitor the progress of their food, from the preparation stages to the time it is in the oven, to the time it arrives at their doors. In mid-2020, we launched a new way to order contactless carryout nationwide – via Domino's Carside Delivery™, which customers can choose when placing a prepaid online order.

Our Piece of the Pie Rewards® loyalty program is meant to reward customers with a program that is simple to understand and easy to use. Upon signing up for the program, customers become rewards members and can earn points for online orders. When rewards members reach a certain amount of points, they can redeem their points for free pizza. Rewards members may also receive exclusive members-only discounts and bonus offers. We may also occasionally provide additional opportunities for participating customers to benefit under the Piece of the Pie Rewards program.

This improved functionality has been developed to work seamlessly with our Domino's PULSE ™ point-of-sale system. Our Domino's PULSE system is designed to drive operating efficiencies for our franchisees and our corporate management and assist franchisees in independently managing their business. As of January 3, 2021, Domino's PULSE is being used in every Company-owned store in the U.S., in more than 99% of our U.S. franchised stores and in approximately 77% of our international stores. We believe utilizing Domino's PULSE with our integrated technology solutions throughout our system provides us with competitive advantages over other concepts. We intend to continue to enhance and grow our online ordering, digital marketing and technological capabilities.

Product Innovation

We believe our core hand-tossed pizza recipe has contributed to long-term growth in customer reorder rates, consumer traffic and increased sales. This recipe is now in use in other markets around the world. Our 60 years of innovation have resulted in numerous new product developments. During 2020, we launched three new products in the U.S., including new and improved chicken wings and the new chicken taco and cheeseburger specialty pizzas, each of which has been positively received by consumers. Product innovation is also present in our global markets, where our master franchisees have the ability to recommend products to suit their local market tastes. Products include the Mayo Jaga in Japan (bacon, potatoes and sweet mayonnaise) and the Saumoneta in France (light cream, potatoes, onions, smoked salmon and dill).

Internal Dough Manufacturing and Supply Chain System

In addition to generating significant revenues and earnings in the U.S. and Canada, we believe our vertically integrated dough manufacturing and supply chain system enhances the quality and consistency of our products, enhances our relationships with franchisees and leverages economies of scale to offer lower costs to our stores. It also allows store managers to focus on store operations and customer service by relieving them of the responsibility of mixing dough in the stores and sourcing other ingredients. Many of our international master franchisees also profit from running supply chain businesses in their respective markets.

Human Capital

As of January 3, 2021, we had approximately 14,400 employees, including 10,400 employees supporting our U.S. Company-owned stores and U.S. franchise operations (our U.S. stores segment), approximately 2,900 employees supporting our U.S. and Canadian supply chain operations (our supply chain segment), approximately 100 employees supporting our international franchise operations (our international franchise segment) and approximately 1,000 corporate employees. Approximately 7,500 of our employees are part-time and approximately 6,900 are full-time equivalent. None of our employees are covered by a collective bargaining agreement. We consider our relationship with our employees to be good.

Environmental Responsibility

We believe in being strong stewards of the environment through initiatives to reduce the impact of energy, wastewater, land use and waste, both in packaging and food. Since 2015, we have sourced 100% sustainable mass balance palm oil, which is used in some of our products. We have also recently increased the recycled content of our pizza boxes and launched a nationwide campaign to educate municipalities on the recyclability of pizza boxes. We also introduced eBikes for delivery in certain markets around the world, helping us to reduce our carbon footprint. Domino’s is also a member of the Dairy Sustainability Alliance, the Recycling Partnership and the Food Waste Reduction Alliance. You can find more information about these initiatives at stewardship.dominos.com.

Community Involvement

We believe in supporting the communities we serve through donating our time, money and pizza. Our national philanthropic partner is St. Jude Children’s Research Hospital®. St. Jude is internationally recognized for its pioneering work in finding cures and saving children with cancer and other catastrophic diseases. Through a variety of internal and consumer-based activities, including a national fundraising campaign called *St. Jude Thanks and Giving ®*, the Domino’s system has contributed $82.0 million to St. Jude since our partnership began in 2004, including raising $13.3 million in 2020. In 2020, we announced a 10-year, $100 million campaign to raise funds to build Domino’s Village at St. Jude, a planned housing complex that will accommodate up to 140 patient families during long-term stays at the hospital.

We also support the Domino’s Pizza Partners Foundation (the “Partners Foundation”). Founded in 1986, the mission of the Partners Foundation is “Team Members Helping Team Members.” Primarily funded by team member and franchise contributions, the Partners Foundation is a separate, not-for-profit organization that has disbursed $8.2 million over the past five years. The Partners Foundation is committed to meeting the needs of Domino’s team members facing crisis situations, such as fire, illness, natural disasters or other personal tragedies. In 2020, Domino’s made a $500,000 donation to the Partners Foundation.

Also in 2020, Domino’s announced a pledge of $3.0 million to support the Black community in the U.S., including $1.0 million to create the Company’s first Black Franchise Opportunity Fund. You can find more information about our community involvement at stewardship.dominos.com.

Additional Disclosures

Working Capital

Information about the Company’s working capital is included in Management’s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7., pages 27 through 41.

Government Regulation

We, along with our franchisees, are subject to various federal, state and local laws affecting the operation of our business. Each store is subject to licensing and regulation by a number of governmental authorities, which include zoning, health, safety, sanitation, building and fire agencies in the jurisdiction in which the store is located. In connection with maintaining our stores, we may be required to expend funds to meet certain federal, state and local regulations, including regulations requiring that remodeled or altered stores be accessible to persons with disabilities. Difficulties in obtaining, or the failure to obtain, required licenses or approvals could delay or prevent the opening of a new store in a particular area or cause an existing store to cease operations. Our supply chain facilities are also licensed and subject to similar regulations by federal, state and local health and fire codes.

We are also subject to the Fair Labor Standards Act and various other federal and state laws governing such matters as minimum wage requirements, overtime and other working conditions and citizenship requirements. A significant number of both our and our franchisees’ food service personnel are paid at rates related to the applicable minimum wage, and past increases in the minimum wage have increased labor costs, as would future increases.

We are subject to the rules and regulations of the Federal Trade Commission (“FTC”) and various state laws regulating the offer and sale of franchises. The FTC and various state laws require that we furnish a franchise disclosure document containing certain information to prospective franchisees, and a number of states require registration of the franchise disclosure document with state authorities. We are operating under exemptions from registration in several states based on the net worth of our subsidiary, Domino’s Pizza Franchising LLC, and experience. We believe our franchise disclosure document, together with any applicable state versions or supplements, and franchising procedures comply in all material respects with both the FTC guidelines and all applicable state laws regulating franchising in those states in which we have offered franchises.

Internationally, our franchise stores are subject to national and local laws and regulations that are often similar to those affecting our U.S. stores, including laws and regulations concerning franchises, labor, health, sanitation and safety. Our international stores are also often subject to tariffs and regulations on imported commodities and equipment, and laws regulating foreign investment. We believe our international disclosure statements, franchise offering documents and franchising procedures comply in all material respects with the laws of the foreign countries in which we have offered franchises.

Privacy and Data Protection

We are subject to a number of privacy and data protection laws and regulations both in the U.S. and globally. The legislative and regulatory landscape for privacy and data protection continues to evolve, and there has been an increase in attention given to privacy and data protection issues with the potential to directly affect our business. This includes recently-enacted laws and regulations in the U.S. and internationally requiring notification to individuals and government authorities of security breaches involving certain categories of personal information. We have a privacy policy posted on our website at www.dominos.com. The security of our financial data, customer information and other personal information is a priority for us.

Trademarks

We have many registered trademarks and believe that the Domino's mark and Domino's Pizza names and logos, in particular, have significant value and are important to our business. Our policy is to pursue registration of our trademarks and to vigorously oppose the infringement of any of our trademarks. We license the use of our registered marks to franchisees through franchise agreements.

Environmental Matters

We are not aware of any federal, state or local environmental laws or regulations that we would expect to materially affect our earnings or competitive position or result in material capital expenditures. However, we cannot predict the effect of possible future environmental legislation or regulations. During 2020, there were no material environmental compliance-related capital expenditures, and no such material expenditures are anticipated in 2021.

Seasonal Operations

The Company's business is not typically seasonal.

Backlog Orders

The Company had no backlog orders as of January 3, 2021.

Government Contracts

No material portion of the Company's business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the U.S. government.

Available Information

The Company makes available, free of charge, through its internet website biz.dominos.com, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to those reports filed or furnished pursuant to Section 13(a), 15(d), or 16 of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after electronically filing such material with the Securities and Exchange Commission. Materials filed with the Securities and Exchange Commission are available at www.sec.gov. Retail orders from Domino's stores can be made through its internet website www.dominos.com. The reference to these website addresses anywhere in this Annual Report on Form 10-K (the "Form 10-K") does not constitute incorporation by reference of the information contained on the websites and information appearing on those websites, including biz.dominos.com, stewardship.dominos.com and www.dominos.com, should not be considered a part of this document.

Our success depends in part upon effective advertising, and lower advertising funds may reduce our ability to adequately market the Domino's Pizza brand.

We have been routinely named a Leading National Advertiser by *Advertising Age* and our success depends in part on continued effective advertising. Each Domino's store located in the U.S. is obligated to contribute 6% of its sales (subject, in certain instances, to lower rates based on certain incentives and waivers) to DNAF, which uses such fees for national advertising in addition to contributions for local market-level advertising. We currently anticipate that this 6% contribution rate will remain in place for the foreseeable future. While additional funds for advertising in the past have been provided by us, our franchisees and other third parties, none of these additional funds are legally required. The lack of continued financial support for advertising activities could significantly curtail our marketing efforts, which may in turn materially and adversely affect our business and our operating results.

Loss of key employees or our inability to attract and retain new qualified employees could hurt our business and inhibit our ability to operate and grow successfully.

Our success in the highly competitive pizza delivery and carryout business will continue to depend to a significant extent on our leadership team and other key management personnel. Although we have entered into employment agreements with Richard E. Allison Jr. and Russell J. Weiner, each of these executives may terminate his agreement on ninety days' notice. Our other executive officers may terminate their employment pursuant to their employment agreements at any time. As a result, we may not be able to retain our executive officers and key personnel or attract additional qualified management. While we do not have long-term employment agreements with our executive officers, for all of our executive officers we have non-compete and non-solicitation agreements that extend for 24 months following the termination of such executive officer's employment. Our success will also continue to depend on our ability to attract and retain qualified personnel to operate our stores, dough manufacturing and supply chain centers and international operations. The loss of these employees or our inability to recruit and retain qualified personnel could have a material adverse effect on our operating results.

Our international operations subject us to additional risk. Such risks and costs may differ in each country in which we and our franchisees do business and may cause our profitability to decline due to increased costs.

We conduct a significant and growing portion of our business outside the U.S. Our financial condition and results of operations may be adversely affected if global markets in which our franchise stores compete are affected by changes in political, economic or other factors.

These factors, over which neither we nor our franchisees have control, may include:

- recessionary or expansive trends in international markets;
- changing labor conditions and difficulties in staffing and managing our foreign operations;
- increases in the taxes we pay and other changes in applicable tax laws both in the U.S. and globally;
- tariffs and trade barriers;
- legal and regulatory changes, and the burdens and costs of our compliance with a variety of foreign laws;
- changes in inflation rates;
- changes in exchange rates and the imposition of restrictions on currency conversion or the transfer of funds;
- difficulty in collecting our royalties and longer payment cycles;
- expropriation of private enterprises;
- the inherent risk of doing business in China resulting from our equity investment in Dash Brands;
- increases in anti-American sentiment and the identification of the Domino's Pizza brand as an American brand;
- political and economic instability and uncertainty around the world, including uncertainty arising from the COVID-19 pandemic; and
- other external factors.

Our earnings and business growth strategy depend on the success of our franchisees, and we may be harmed by actions taken by our franchisees, or employees of our franchisees, that are outside of our control.

A significant portion of our earnings comes from royalties and fees generated by our franchise stores. Franchisees are independent operators, and their employees are not our employees. We provide tools that franchisees can consider using in training their employees, but the quality of franchise store operations and our brand and branded products may be diminished by any number of factors beyond our control. Consequently, franchisees may not operate stores in a manner consistent with our standards and requirements or they or their employees may take other actions that adversely affect the value of our brand. In such event, our business and reputation may suffer, and as a result our revenues and stock price could decline.

A downgrade of our credit ratings could, among other things, increase our cost of borrowing, limit our ability to access capital, result in more restrictive covenants in agreements governing the terms of any future indebtedness that we may incur, including restrictions on our ability to pay dividends or repurchase shares, or require us to provide collateral for future borrowings, and thereby adversely impact our business, financial condition and results of operations.

We may be unable to generate sufficient cash flow to satisfy our significant debt service obligations, which would adversely affect our financial condition and results of operations.

Our ability to make principal and interest payments on and to refinance our indebtedness will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If our business does not generate sufficient cash flow from operations, in the amounts projected or at all, or if future borrowings are not available to us under our variable funding notes in amounts sufficient to fund our other liquidity needs, our financial condition and results of operations may be adversely affected. If we cannot generate sufficient cash flow from operations to make scheduled principal amortization and interest payments on our debt obligations in the future, we may need to refinance all or a portion of our indebtedness on or before maturity, sell assets, delay capital expenditures or seek additional equity. If we are unable to refinance any of our indebtedness on commercially reasonable terms or at all or to affect any other action relating to our indebtedness on satisfactory terms or at all, our business may be harmed.

The terms of our securitized debt financing of certain of our wholly-owned subsidiaries have restrictive terms and our failure to comply with any of these terms could put us in default, which would have an adverse effect on our business and prospects.

Unless and until we repay all outstanding borrowings under our securitized debt, we will remain subject to the restrictive terms of these borrowings. The securitized debt, under which certain of our wholly-owned subsidiaries issued and guaranteed fixed rate notes and variable funding senior revolving notes, contain a number of covenants, with the most significant financial covenant being a debt service coverage calculation. These covenants limit the ability of certain of our subsidiaries to, among other things:

- sell assets;
- alter the business we conduct;
- engage in mergers, acquisitions and other business combinations;
- declare dividends or redeem or repurchase capital stock;
- incur, assume or permit to exist additional indebtedness or guarantees;
- make loans and investments;
- incur liens; and
- enter into transactions with affiliates.

The securitized debt also requires us to maintain specified financial ratios at the end of each fiscal quarter. These restrictions could affect our ability to pay dividends or repurchase shares of our common stock. Our ability to meet these financial ratios can be affected by events beyond our control, and we may not satisfy such a test. A breach of this covenant could result in a rapid amortization event or default under the securitized debt. If amounts owed under the securitized debt are accelerated because of a default under the securitized debt and we are unable to pay such amounts, the investors may have the right to assume control of substantially all of the securitized assets.

During the term following issuance, the outstanding senior notes will accrue interest in accordance with the terms of the debt agreements. Additionally, our senior notes have original scheduled principal payments of $42.0 million in 2021, $897.0 million in 2022, $33.0 million in each of 2023 and 2024, $1.15 billion in 2025, $20.8 million in 2026, $1.28 billion in 2027, $6.8 million in 2028 and $614.3 million in 2029. In accordance with our debt agreements, the payment of principal on the outstanding senior notes may be suspended if the leverage ratios for the Company are less than or equal to 5.0x total debt, as defined, to adjusted EBITDA, as defined in the indenture governing our securitized debt, and no catch-up provisions are applicable. As of the fourth quarter of 2020, we met the leverage ratio of less than 5.0x and, in accordance with our debt agreements, did not make the previously scheduled debt payments beginning in the first quarter of 2021.

If we are unable to refinance or repay amounts under the securitized debt prior to the expiration of the term, our cash flow would be directed to the repayment of the securitized debt and, other than a weekly management fee sufficient to cover minimal selling, general and administrative expenses, would not be available for operating our business.

No assurance can be given that any refinancing or additional financing will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our access to capital is affected by prevailing conditions in the financial and capital markets and other factors beyond our control. There can be no assurance that market conditions will be favorable at the times that we require new or additional financing.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

As of February 18, 2021, Domino's Pizza, Inc. had 170,000,000 authorized shares of common stock, par value $0.01 per share, of which 38,803,504 were issued and outstanding. Domino's Pizza, Inc.'s common stock is traded on the New York Stock Exchange ("NYSE") under the ticker symbol "DPZ."

Our Board of Directors declared a quarterly dividend of $0.94 per common share on February 24, 2021 payable on March 30, 2021 to shareholders of record at the close of business on March 15, 2021.

We currently anticipate continuing the payment of quarterly cash dividends. The actual amount of such dividends, if any, will depend upon future earnings, results of operations, capital requirements, our financial condition and certain other factors. There can be no assurance as to the amount of free cash flow that we will generate in future years and, accordingly, dividends will be considered after reviewing returns to shareholders, profitability expectations and financing needs and will be declared at the discretion of our Board of Directors.

As of February 18, 2021, there were 1,578 registered holders of record of Domino's Pizza, Inc.'s common stock.

As of January 3, 2021, we had a Board of Directors-approved share repurchase program for up to $1.0 billion of our common stock, of which $101.6 million remained available for future purchases of our common stock. Any future purchases of our common stock would be funded by current cash amounts, available borrowings or future excess cash flow. The following table summarizes our repurchase activity during the fourth quarter ended January 3, 2021:

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 #10 (September 7, 2020 to October 4, 2020)	933	$ 430.25	—	$ 326,552
Period #11 (October 5, 2020 to November 1, 2020)	503,202	398.39	501,956	126,552
Period #12 (November 2, 2020 to November 29, 2020)	65,851	379.64	65,851	101,552
Period #13 (November 30, 2020 to January 3, 2021)	835	391.53	—	101,552
Total	570,821	$ 396.27	567,807	$ 101,552

(1) 3,014 shares were purchased as part of the Company's employee stock purchase discount plan. During the fourth quarter, the shares were purchased at an average price of $398.48.

(2) From January 4, 2021 through February 18, 2021, the Company repurchased and retired an additional 65,870 shares of common stock for approximately $25.0 million, or an average price of $379.53 per share.

On February 24, 2021, the Company's Board of Directors authorized a new share repurchase program to repurchase up to $1.0 billion of the Company's common stock. This repurchase program replaces the remaining availability of approximately $76.6 million under the Company's previously approved $1.0 billion share repurchase program.

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

The following comparative stock performance line graph compares the cumulative shareholder return on the common stock of Domino's Pizza, Inc. (NYSE: DPZ) for the five-year period between December 31, 2015 and December 31, 2020, with cumulative total return on (i) the Standard & Poor's 500 Index (the "S&P 500") and (ii) the peer group, the Standard & Poor's 400 Restaurant Index (the "S&P 400 Restaurant Index"). Management believes that the companies included in the S&P 400 Restaurant Index appropriately reflect the scope of the Company's operations and match the competitive market in which the Company operates. The cumulative total return computations set forth in the performance graph assume the investment of $100 in the Company's common stock, the S&P 500 Index and the S&P 400 Restaurant Index on December 31, 2015.

Item 6. Selected Financial Data.

The Company has applied the amendment to Regulation S-K Item 301 which became effective on February 10, 2021.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Our fiscal year typically includes 52 weeks, comprised of three twelve-week quarters and one sixteen-week quarter. Every five or six years our fiscal year includes an extra (or 53rd) week in the fourth quarter. Fiscal 2020 consisted of 53 weeks and fiscal 2019 and 2018 each consisted of 52 weeks.

In this section, we discuss the results of our operations for the year ended January 3, 2021 compared to the year ended December 29, 2019. For a discussion of the year ended December 29, 2019 compared to the year ended December 30, 2018, please refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 29, 2019.

Description of the Business

Domino's is the largest pizza company in the world based on global retail sales, with more than 17,600 locations in over 90 markets around the world. Founded in 1960, our roots are in convenient pizza delivery, while a significant amount of our sales also come from carryout customers. Although we are a highly-recognized global brand, we focus on serving neighborhoods locally through our large network of franchise owners and Company-owned stores.

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

Domino's generates revenues and earnings by charging royalties and fees to our independent franchisees. We also generate revenues and earnings by selling food, equipment and supplies to franchisees primarily in the U.S. and Canada, and by operating a number of Company-owned 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 food 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 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.

Our business model can yield strong returns for our franchise owners and our Company-owned stores. It can also yield significant cash flow to us, through a consistent franchise royalty payment and supply chain revenue stream, with moderate capital expenditures. We have historically returned cash to shareholders through dividend payments and share repurchases since becoming a publicly-traded company in 2004. These factors emphasize our focus on our stakeholders, including our customers, team members, franchisees, communities and shareholders.

Critical accounting policies and estimates

The following discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires our management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, our management evaluates its estimates, including those related to revenue recognition, long-lived assets, insurance and legal matters, share-based payments and income taxes. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Changes in our accounting policies and estimates could materially impact our results of operations and financial condition for any particular period. We believe that our most critical accounting policies and estimates are:

Revenue recognition. We earn revenues through our network of U.S. Company-owned and franchised stores, dough manufacturing and supply chain centers and international operations. Retail sales from franchised stores are reported to us by our franchisees and are not included in our revenues. Retail sales from Company-owned stores and royalty revenues resulting from the retail sales from franchised stores are recognized as revenues when the items are delivered to or carried out by customers. Retail sales are generally reported, and the related royalties paid to us based on a percentage of retail sales, as specified in the related standard franchise agreement (generally 5.5% of U.S. franchise retail sales and were on average, 2.9% of international franchise retail sales in 2020). U.S. and international franchise fee revenue primarily relates to per-transaction technology fees that are recognized as the related sales occur. We also generate revenues from U.S. franchise advertising contributions to DNAF, our consolidated not-for-profit advertising fund (generally 6.0% of U.S. franchise retail sales). Although these revenues are restricted to be used only for advertising and promotional activities to benefit franchised stores, we have determined there are not performance obligations associated with the franchise advertising contributions received by DNAF that are separate from our U.S. royalty payment stream and as a result, these franchise contributions and the related expenses are presented gross in the consolidated statements of income. Revenues from Company-owned stores and revenues from franchised stores (including U.S. franchise royalties and fees and U.S. franchise advertising revenues) can fluctuate from time-to-time as a result of store count and sales level changes. Sales of food from our supply chain centers are recognized as revenues upon delivery of the food to franchisees, while sales of equipment and supplies are generally recognized as revenues upon shipment of the related products to franchisees.

Long-lived assets. We record long-lived assets, including property, plant and equipment and capitalized software, at cost. For acquisitions of franchise operations, we estimate the fair values of the assets and liabilities acquired based on physical inspection of assets, historical experience and other information available to us regarding the acquisition. We depreciate and amortize long-lived assets using useful lives determined by us based on historical experience and other information available to us. We evaluate the potential impairment of long-lived assets at least annually or whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Our evaluation is based on various analyses, including the projection of undiscounted cash flows. For Company-owned stores, we perform related impairment tests on an operating market basis, which we have determined to be the lowest level for which identifiable cash flows are largely independent of other cash flows. If the carrying amount of a long-lived asset exceeds the amount of the expected future undiscounted cash flows of that asset, we estimate the fair value of the asset. If the carrying amount of the asset exceeds the estimated fair value of the asset, an impairment loss is recognized, and the asset is written down to its estimated fair value.

We have not made any significant changes in the methodology used to project the future market cash flows of Company-owned stores during the years presented. Same store sales fluctuations and the rates at which operating costs will fluctuate in the future are key factors in evaluating recoverability of the related assets. If our same store sales significantly decline or if operating costs increase and we are unable to recover these costs, the carrying value of our Company-owned stores, by market, may be unrecoverable and we may be required to recognize an impairment charge.

Insurance and legal matters. We are a party to lawsuits and legal proceedings arising in the ordinary course of business. Management closely monitors these legal matters and estimates the probable costs for the resolution of such matters. These estimates are primarily determined by consulting with both internal and external parties handling the matters and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. Legal judgments can be volatile and difficult to predict. Accordingly, if our estimates relating to legal matters proved inaccurate for any reason, we may be required to increase or decrease the related expense in future periods. We had accruals for legal matters of approximately $1.3 million and $1.8 million at January 3, 2021 December 29, 2019, respectively.

For certain periods prior to December 1998 and for periods after December 2001, we maintain insurance coverage for workers' compensation, general liability and owned and non-owned auto liabilities. We are generally responsible for up to $2.0 million per occurrence under these retention programs for workers' compensation and general liability, depending on policy year and line of coverage. We are generally responsible for up to between $500,000 and $5.5 million per occurrence under these retention programs for owned and non-owned automobile liabilities, depending on policy year and line of coverage. The related insurance reserves are based on undiscounted independent actuarial estimates, which are based on historical information along with assumptions about future events. Analyses of historical trends and actuarial valuation methods are utilized to estimate the ultimate claim costs for claims incurred as of the balance sheet date and for claims incurred but not yet reported. When estimating these liabilities, several factors are considered, including the severity, duration and frequency of claims, legal cost associated with claims, healthcare trends and projected inflation.

Our methodology for determining our exposure has remained consistent throughout the years presented. Management believes that the various assumptions developed, and actuarial methods used to determine our insurance reserves are reasonable and provide meaningful data that management uses to make its best estimate of our exposure to these risks. Changes in assumptions for such factors as medical costs and legal actions, as well as changes in actual experience, could cause our estimates to change in the near term which could result in an increase or decrease in the related expense in future periods. A 10% change in our insurance liability at January 3, 2021 would have affected our income before provision for income taxes by approximately $6.4 million in 2020. We had accruals for insurance matters of approximately $63.5 million and $58.4 million at January 3, 2021 and December 29, 2019, respectively.

Share-based payments. We recognize compensation expense related to our share-based compensation arrangements over the requisite service period based on the grant date fair value of the awards. The grant date fair value of each restricted stock and performance-based restricted stock award is equal to the market price of our stock on the date of grant. The grant date fair value of each stock option award is estimated using the Black-Scholes option pricing model. The pricing model requires assumptions, including the expected life of the stock option, the risk-free interest rate, the expected dividend yield and expected volatility of our stock over the expected life, which significantly impact the assumed fair value. We account for forfeitures as they occur. Additionally, our stock option, restricted stock and performance-based restricted stock arrangements provide for accelerated vesting and the ability to exercise during the remainder of the ten-year stock option life upon the retirement of individuals holding the awards who have achieved specified service and age requirements. Management believes that the methods and various assumptions used to determine compensation expense related to these arrangements are reasonable, but if the assumptions change significantly for future grants, share-based compensation expense will fluctuate in future years.

Income taxes. We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. We measure deferred tax assets and liabilities using current enacted tax rates that will apply in the years in which we expect the temporary differences to be recovered or paid. Judgment is required in determining the provision for income taxes, related reserves and deferred tax assets and liabilities. These include establishing a valuation allowance related to the ability to realize certain deferred tax assets, if necessary. On an ongoing basis, management will assess whether it remains more likely than not that the deferred tax assets will be realized. Our accounting for deferred tax assets and liabilities represents our best estimate of future events. Our deferred tax assets assume that we will generate sufficient taxable income in specific tax jurisdictions, based on our estimates and assumptions. Changes in our current estimates due to unanticipated events could have a material impact on our financial condition and results of operations.

Fiscal 2020 Highlights

- Global retail sales, excluding foreign currency impact (which includes total retail sales at Company-owned and franchised stores worldwide) increased 13.2% as compared to 2019. U.S. retail sales increased 17.6% and international retail sales, excluding foreign currency impact, increased 8.8% as compared to 2019.
- Same store sales increased 11.5% in our U.S. stores and increased 4.4% in our international stores.
- Our revenues increased 13.8%.
- Our income from operations increased 15.3%.
- Our net income increased 22.6%.
- Our diluted earnings per share increased 29.6%.
- The inclusion of the 53rd week in 2020 positively impacted our results.

During 2020, we experienced global retail sales growth and U.S. and international same store sales growth. We believe our commitment to value, convenience, quality and new products continues to keep consumers engaged with the brand. We launched three new products in the U.S., including new and improved chicken wings and the new chicken taco and cheeseburger specialty pizzas, each of which has been positively received by consumers.

We also continued our strong U.S. and international same store sales performance with 39 straight quarters of positive U.S. same store sales and 108 straight quarters of positive international same store sales. Beginning at the end of the first quarter of 2020, changes in consumer ordering behavior due to the COVID-19 pandemic resulted in a significant increase in U.S. same store sales. We did not experience significant temporary closures in our U.S. business. Additionally, our U.S. supply chain experienced higher volumes from the increases in U.S. store sales. The COVID-19 pandemic negatively impacted our international franchise revenues during the second quarter of 2020 due to temporary store closures in certain markets as well as changes in operating procedures and store hours resulting from actions taken to increase social distancing across our international franchise markets. In the third and fourth quarters of 2020, these negative impacts lessened due to the reopening and resumption of normal store hours at the majority of our international franchised stores that had been temporarily closed for portions of the second quarter. Our U.S. and international same store sales growth has also been pressured by our fortressing strategy, which includes increasing store concentration in certain markets where we compete, as well as from aggressive competitive activity.

During 2020, we continued our global expansion with the opening of 624 net stores. We had 229 net stores open in the U.S and 395 net stores open internationally. Although 718 gross stores opened internationally, 323 stores closed, primarily in India and South Africa. The COVID-19 pandemic has had a negative impact on anticipated store openings in our international business to-date due to delays in approvals and government restrictions in certain of the markets that our master franchisees operate.

We remained focused on improving the customer experience through our technology initiatives, including the recent launch of our GPS delivery tracking technology, which allows customers to monitor the progress of their food, from the preparation stages to the time it is in the oven, to the time it arrives at their doors. Additionally, in mid-2020, we launched a new way to order contactless carryout nationwide – via Domino’s Carside Delivery™, which customers can choose when placing a prepaid online order. Our emphasis on technological innovation helped the Domino’s system generate more than half of global retail sales from digital channels in 2020.

Overall, we believe our global store growth, strong sales, emphasis on technology, operations and marketing initiatives have combined to strengthen our brand.

Statistical Measures

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

Global Retail Sales Growth (excluding foreign currency impact)

Global retail sales growth (excluding foreign currency impact) is a commonly used statistical measure in the quick-service restaurant industry that is important to understanding performance. Global retail sales growth refers to total worldwide retail sales at Company-owned and franchise stores. We believe global retail sales information is useful in analyzing revenues because franchisees pay royalties and, in the U.S., advertising fees that are based on a percentage of franchise retail sales. We review comparable industry global retail sales information to assess business trends and to track the growth of the Domino’s Pizza brand. In addition, supply chain revenues are directly impacted by changes in franchise retail sales in the U.S. and Canada. Retail sales for franchise stores are reported to us by our franchisees and are not included in our revenues. Global retail sales growth, excluding foreign currency impact, is calculated as the change of international local currency global retail sales against the comparable period of the prior year. Global retail sales growth in 2020 includes the favorable impact of the 53rd week.

	2020	2019	2018
U.S. stores	17.6%	6.9%	11.2%
International stores (excluding foreign currency impact)	8.8%	9.0%	10.4%
Total (excluding foreign currency impact)	13.2%	8.0%	10.8%

Same Store Sales Growth

Same store sales growth is a commonly used statistical measure in the quick-service restaurant industry that is important to understanding performance. Same store sales growth is calculated for a given period by including only sales from stores that also had sales in the comparable weeks of both years. International same store sales growth is calculated similarly to U.S. same store sales growth. Changes in international same store sales are reported on a constant dollar basis which reflects changes in international local currency sales. The 53rd week in fiscal 2020 had no impact on reported same store sales growth amounts.

	2020	2019	2018
U.S. Company-owned stores	11.0%	2.8%	4.8%
U.S. franchise stores	11.5%	3.2%	6.8%
U.S. stores	11.5%	3.2%	6.6%
International stores (excluding foreign currency impact)	4.4%	1.9%	3.5%

Store Growth Activity

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

	U.S. Company-owned Stores	U.S. Franchise Stores	Total U.S. Stores	International Stores	Total
Store count at December 31, 2017	392	5,195	5,587	9,269	14,856
Openings	12	255	267	916	1,183
Closings	—	(9)	(9)	(116)	(125)
Transfers (1)	(14)	45	31	(31)	—
Store count at December 30, 2018	390	5,486	5,876	10,038	15,914
Openings	12	253	265	939	1,204
Closings	(1)	(14)	(15)	(83)	(98)
Transfers	(59)	59	—	—	—
Store count at December 29, 2019	342	5,784	6,126	10,894	17,020
Openings	22	218	240	718	958
Closings	(1)	(10)	(11)	(323)	(334)
Store count at January 3, 2021	363	5,992	6,355	11,289	17,644

(1) In 2018, we began managing our franchised stores in Alaska and Hawaii as part of our U.S. Stores segment. Prior to 2018, store counts from these franchised stores were included in our international stores in the table above.

Income Statement Data
(tabular amounts in millions, except percentages)

	2020		2019		2018	
U.S. Company-owned stores	$ 485.6		$ 453.6		$ 514.8	
U.S. franchise royalties and fees	503.2		428.5		391.5	
Supply chain	2,416.7		2,104.9		1,943.3	
International franchise royalties and fees	249.8		241.0		224.7	
U.S. franchise advertising	462.2		390.8		358.5	
Total revenues	4,117.4	100.0%	3,618.8	100.0%	3,432.9	100.0%
U.S. Company-owned stores	379.6		346.2		398.2	
Supply chain	2,143.3		1,870.1		1,732.0	
Total cost of sales	2,522.9	61.3%	2,216.3	61.2%	2,130.2	62.1%
Operating margin	1,594.5	38.7%	1,402.5	38.8%	1,302.7	37.9%
General and administrative	406.6	9.9%	382.3	10.6%	372.5	10.8%
U.S. franchise advertising	462.2	11.2%	390.8	10.8%	358.5	10.4%
Income from operations	725.6	17.6%	629.4	17.4%	571.7	16.7%
Interest expense, net	(170.5)	(4.1)%	(146.8)	(4.1)%	(143.0)	(4.2)%
Income before provision for income taxes	555.1	13.5%	482.6	13.3%	428.7	12.5%
Provision for income taxes	63.8	1.6%	81.9	2.3%	66.7	2.0%
Net income	$ 491.3	11.9%	$ 400.7	11.1%	$ 362.0	10.5%

2020 compared to 2019
(tabular amounts in millions, except percentages)

Revenues

	2020		2019	
U.S. Company-owned stores	$ 485.6	11.8%	$ 453.6	12.5%
U.S. franchise royalties and fees	503.2	12.2%	428.5	11.8%
Supply Chain	2,416.7	58.7%	2,104.9	58.2%
International franchise royalties and fees	249.8	6.1%	241.0	6.7%
U.S. franchise advertising	462.2	11.2%	390.8	10.8%
Total revenues	$4,117.4	100.0%	$3,618.8	100.0%

Revenues primarily consist of retail sales from our Company-owned stores, advertising contributions, royalties and fees from our U.S. franchised stores, royalties and fees from our international franchised stores and sales of food, equipment and supplies from our supply chain centers to substantially all of our U.S. franchised stores and certain international franchised stores. Company-owned store and franchised store revenues may vary from period to period due to changes in store count mix. Supply chain revenues may vary significantly as a result of fluctuations in commodity prices as well as the mix of products we sell.

Consolidated revenues increased $498.6 million, or 13.8%, in 2020, due primarily to higher U.S. retail sales, which resulted in higher supply chain and U.S. franchise revenues. The inclusion of the 53rd week in 2020 also positively impacted revenues by an estimated $88.4 million. U.S. Company-owned stores revenues increased in 2020 due to same store sales growth, but were partially offset by lower revenues due to the sale of 59 Company-owned stores to certain of our existing U.S. franchisees during the second quarter of 2019 (the "2019 Store Sale"). These changes in revenues are described in more detail below.

U.S. Stores Revenues

	2020		2019	
U.S. Company-owned stores	$ 485.6	33.4%	$ 453.6	35.6%
U.S. franchise royalties and fees	503.2	34.7%	428.5	33.7%
U.S. franchise advertising	462.2	31.9%	390.8	30.7%
Total U.S. stores revenues	$1,451.0	100.0%	$1,272.9	100.0%

U.S. Company-owned Stores

Revenues from U.S. Company-owned store operations increased $32.0 million, or 7.1%, in 2020, due primarily to same store sales growth, as well as an estimated $10.6 million impact of the 53rd week. The increase in revenues was partially offset by lower revenues resulting from the 2019 Store Sale. U.S. Company-owned same store sales increased 11.0% in 2020 and increased 2.8% in 2019.

U.S. Franchise Royalties and Fees

Revenues from U.S. franchise royalties and fees increased $74.7 million, or 17.4%, in 2020, due primarily to higher same store sales and an increase in the average number of U.S. franchised stores open during the period resulting from net store growth, as well as an estimated $11.4 million impact of the 53rd week. U.S. franchise royalties were negatively impacted by approximately $3.0 million related to funding we provided to our franchisees for an effort to donate 10 million slices of pizza to people and organizations at the frontlines of the COVID-19 pandemic in the franchisees' local communities. U.S. franchise same store sales increased 11.5% in 2020 and increased 3.2% in 2019. U.S. franchise royalties and fees further benefited from an increase in revenues from fees paid by franchisees for the use of our technology platforms.

U.S. Franchise Advertising

Revenues from U.S. franchise advertising increased $71.4 million, or 18.3%, in 2020, due primarily to higher same store sales and an increase in the average number of U.S. franchised stores open during the year resulting from net store growth, as well as an estimated $10.4 million impact of the 53rd week.

Supply Chain

Supply chain revenues increased $311.8 million, or 14.8%, in 2020, due primarily to higher volumes from increased orders resulting from U.S. franchise retail sales growth, as well as an estimated $49.6 million impact of the 53rd week. Our market basket pricing to stores increased 2.2% during 2020, which resulted in an estimated $42.5 million increase in supply chain revenues.

International Franchise Royalties and Fees

Revenues from international franchise operations increased $8.8 million, or 3.6%, in 2020. This increase was due primarily to an estimated $6.4 million impact of the 53rd week as well as same store sales growth and an increase in the average number of international franchised stores open during the period due to net store growth. Excluding the impact of foreign currency exchange rates, international same store sales increased 4.4% in 2020 and increased 1.9% in 2019. The impact of changes in foreign currency exchange rates negatively impacted revenue from international royalties and fees by approximately $3.9 million in 2020. Temporary store closures in certain markets and changes in operating procedures and store hours resulting from actions taken to increase social distancing across certain of the markets in which we operate, as well as targeted financial relief provided to certain of our master franchisees due to the COVID-19 pandemic, also had a negative impact on international franchise revenues in 2020.

Cost of sales / Operating Margin

	2020		2019	
Consolidated revenues	$4,117.4	100.0%	$3,618.8	100.0%
Consolidated cost of sales	2,522.9	61.3%	2,216.3	61.2%
Consolidated operating margin	$1,594.5	38.7%	$1,402.5	38.8%

Consolidated cost of sales consists primarily of U.S. 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. We estimate the 53rd week resulted in an increase of approximately $50.6 million on consolidated cost of sales.

Consolidated operating margin (which we define as revenues less cost of sales) increased $192.0 million, or 13.7%, in 2020, due primarily to higher global franchise revenues and higher supply chain volumes, as well as an estimated $37.8 million impact of the 53rd week. 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 decreased 0.1 percentage points in 2020. Company-owned store operating margin decreased 1.9 percentage points in 2020 and supply chain operating margin increased 0.1 percentage points in 2020. These changes in operating margin are more fully discussed below.

U.S. Company-owned Stores Operating Margin

	2020		2019	
Revenues	$485.6	100.0%	$453.6	100.0%
Cost of sales	379.6	78.2%	346.2	76.3%

Store operating margin	$106.0	21.8%	$107.4	23.7%

U.S. Company-owned store operating margin (which does not include other store-level costs such as royalties and advertising) decreased $1.4 million, or 1.3%, in 2020, due primarily to higher labor costs, and to a lesser extent, higher food costs. Lower revenues resulting from the 2019 Store Sale also contributed to the decrease in U.S. Company-owned store operating margin. These decreases were partially offset by higher revenues resulting from higher same store sales, as well as an estimated $3.2 million impact of the 53rd week. As a percentage of store revenues, the store operating margin decreased 1.9 percentage points in 2020. These changes in operating margin as a percentage of revenues are discussed in more detail below.

- Food costs decreased 0.1 percentage points to 27.0% in 2020, due primarily to the leveraging of higher same store sales. This decrease was partially offset by higher food prices.
- Labor costs increased 1.9 percentage points to 30.9% in 2020, due primarily to additional compensation expense for frontline team members during the COVID-19 pandemic. These increases were partially offset by reduced labor costs as a percentage of store revenues resulting from the 2019 Store Sale due to the higher labor rates in the market in which the sold stores operated.

Supply Chain Operating Margin

	2020		2019	
Revenues	$2,416.7	100.0%	$2,104.9	100.0%
Cost of sales	2,143.3	88.7%	1,870.1	88.8%
Supply chain operating margin	$ 273.3	11.3%	$ 234.8	11.2%

Supply chain operating margin increased $38.5 million, or 16.4%, in 2020, primarily driven by higher volumes from increased orders, as well as an estimated $6.4 million impact of the 53rd week. As a percentage of supply chain revenues, the supply chain operating margin increased 0.1 percentage points in 2020, due primarily to lower delivery costs as a percentage of revenues as a result of leveraging of higher same store sales and lower fuel prices, partially offset by higher food costs.

General and Administrative Expenses

General and administrative expenses increased $24.3 million, or 6.4%, in 2020, driven primarily by higher variable performance-based compensation expense and professional fees, as well as an estimated $5.6 million impact of the 53rd week. These increases were partially offset by lower travel expenses resulting from travel restrictions associated with the COVID-19 pandemic.

U.S. Franchise Advertising Expenses

U.S. franchise advertising expenses increased $71.4 million, or 18.3%, in 2020, due to higher U.S. franchise advertising revenue, including an estimated $10.4 million impact of the 53rd week. 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, increased $23.7 million, or 16.1%, in 2020 driven primarily by higher average debt balances resulting from the 2019 Recapitalization and borrowings under the Company's variable funding notes in 2020, as well as an estimated $2.6 million impact of the 53rd week.

Our weighted average borrowing rate decreased to 3.9% in 2020, from 4.1% in 2019, resulting from the lower interest rates on the debt outstanding in 2020 as compared to the same periods in 2019.

Provision for Income Taxes

Provision for income taxes decreased $18.1 million, or 22.1%, in 2020 and the effective tax rate decreased to 11.5% in 2020 as compared to 17.0% in 2019 due primarily to higher excess tax benefits on equity-based compensation, which are recorded as a reduction to the income tax provision. Excess tax benefits from equity-based compensation were $60.4 million in 2020 and were $25.7 million in 2019. The increase in excess tax benefits resulted from a significant increase in stock options exercised in 2020 as compared to 2019. The decrease in provision for income taxes was partially offset by higher pre-tax income and, to a lesser extent, an increase in the valuation allowance associated with foreign tax credits and interest deductibility in separately-filed states. We estimate the 53rd week resulted in an increase of $4.0 million on the provision for income taxes.

Segment Income

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

	2020	2019
U.S. Stores	$435.1	$361.7
Supply Chain	238.4	199.8
International Franchise	197.6	187.3
Other	(53.3)	(36.7)

U.S. Stores

U.S. stores Segment Income increased $73.4 million, or 20.3%, in 2020, primarily as a result of the increase in revenues from U.S. franchise royalties and fees of $74.7 million discussed above. U.S. franchise revenues do not have a cost of sales component, so changes in these revenues have a disproportionate effect on U.S. stores Segment Income. U.S. franchise advertising costs are accrued and expensed when the related U.S. franchise advertising revenues are recognized and have no impact on U.S. stores Segment Income. The increase in U.S. stores Segment Income was partially offset by the $1.4 million decrease in U.S. Company-owned store operating margin discussed above.

Supply Chain

Supply chain Segment Income increased $38.6 million, or 19.3%, in 2020, due primarily to the $38.5 million increase in operating margin described above.

International Franchise

International franchise Segment Income increased $10.3 million, or 5.5%, in 2020, due primarily to the $8.8 million increase in international franchise revenues discussed above. International franchise revenues do not have a cost of sales component, so changes in these revenues have a disproportionate effect on international franchise Segment Income. Lower travel expenses, primarily due to travel restrictions resulting from the COVID-19 pandemic, also contributed to the increase in international franchise Segment Income.

Other

Other Segment Income decreased $16.6 million, or 45.1%, in 2020, due primarily to higher variable performance-based compensation expense. The decrease in Other Segment Income was partially offset by higher corporate administrative costs allocated to our segments as compared to 2019. The increase in allocated costs in 2020 was due primarily to higher investments in technological initiatives to support technology for our U.S. and international franchise stores.

New Accounting Pronouncements

The impact of new accounting pronouncements adopted and the estimated impact of new accounting pronouncements that we will adopt in future years is included in Note 1 to the consolidated financial statements.

COVID-19 Impact

As of January 3, 2021, nearly all of our U.S. stores were open, with stores deploying contactless delivery and carryout solutions. Based on information reported to us by our master franchisees, we estimate that as of January 3, 2021, there were fewer than 150 international stores temporarily closed.

Given the market uncertainty arising from COVID-19, we took a precautionary measure and borrowed $158.0 million under our variable funding notes during the second quarter of 2020, which was fully repaid throughout the remainder of 2020.

During the COVID-19 pandemic, we also made certain investments related to safety and cleaning equipment, enhanced sick pay and compensation for frontline team members and support for our franchisees and their communities. While we have seen an increase in sales in certain markets during the COVID-19 pandemic, including increased sales related to heightened reliance on delivery and carry-out businesses, future sales are not possible to estimate and it is unclear whether and to what extent sales will return to more normalized levels if and when consumer behavior and general economic and business activity return to pre-pandemic levels. While it is not possible at this time to estimate the full continued impact that COVID-19 could have on our business, the continued spread of COVID-19 and the measures taken by the governments of countries affected could disrupt our continuing operations and supply chain and, as a result, could adversely impact our business, financial condition or results of operations.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Form 10-K includes 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.

These forward-looking statements generally can be identified by the use of words such as “anticipate,” “believe,” “could,” “should,” “estimate,” “expect,” “intend,” “may,” “will,” “plan,” “predict,” “project,” “seek,” “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, the expected demand for future pizza delivery, our expectation that we will meet the terms of our agreement with our third-party supplier of pizza cheese, our belief that alternative third-party suppliers are available for our key ingredients in the event we are required to replace any of our supply partners, our intention to continue to enhance and grow online ordering, digital marketing and technological capabilities, our expectation that there will be no material environmental compliance-related capital expenditures, our plans to expand U.S. and international operations in many of the markets where we currently operate and in selected new markets, our expectation that the contribution rate for advertising fees payable to DNAF will remain in place for the foreseeable future, and the availability of our borrowings under the 2019 Variable Funding Notes for, among other things, funding working capital requirements, paying capital expenditures and funding other general corporate purposes, including payment of dividends.

Forward-looking statements relating to 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 management’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 about us, including the risk factors listed under Item 1A. Risk Factors, as well as other cautionary language in this 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, the following:

- our substantial increased indebtedness as a result of the 2019 Recapitalization, 2018 Recapitalization, 2017 Recapitalization and 2015 Recapitalization and our ability to incur additional indebtedness or refinance or renegotiate key terms of that indebtedness in the future;
- the impact a downgrade in our credit rating may have on our business, financial condition and results of operations;
- our future financial performance and our ability to pay principal and interest on our indebtedness;
- our ability to manage difficulties associated with or related to the COVID-19 pandemic and the effects of COVID-19 on our business and supply chain;
- 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, including the food service and food delivery markets;
- the impact of social media and other consumer-oriented technologies on our business, brand and reputation;
- the impact of new or improved technologies and alternative methods of delivery on consumer behavior;
- new product, digital ordering and concept developments by us, and other food-industry competitors;
- our ability to maintain good relationships with and attract new franchisees and franchisees' ability to successfully manage their operations without negatively impacting our royalty payments and fees or our brand's reputation;
- our ability to successfully implement cost-saving strategies;
- our ability and that of our franchisees to successfully operate in the current and future credit environment;
- changes in the level of consumer spending given general economic conditions, including interest rates, energy prices and consumer confidence;
- our ability and that of our franchisees to open new restaurants and keep existing restaurants in operation;
- 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, health epidemics or general health concerns, severe weather conditions and natural disasters may have on our business and the economies of the countries where we operate;

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Insurance Reserves

As described in Note 1 to the consolidated financial statements, the Company has retention programs for workers' compensation, general liability, and owned and non-owned automobile liabilities for certain periods prior to December 1998 and for periods after December 2001. As of January 3, 2021, the Company had accruals for these insurance matters of $54.6 million. The insurance reserves are based on undiscounted independent actuarial estimates, which are based on historical information along with assumptions about future events. Management utilizes various methods, including analyses of historical trends and actuarial valuation methods, to estimate the cost to settle reported claims and claims incurred but not yet reported. The actuarial valuation methods develop estimates of the future ultimate claim costs based on the claims incurred as of the balance sheet date. When estimating these liabilities, several factors are considered, including the severity, duration and frequency of claims, legal cost associated with claims, healthcare trends and projected inflation.

The principal considerations for our determination that performing procedures relating to the valuation of insurance reserves is a critical audit matter are (i) the significant judgment by management when developing the estimated reserves; (ii) a high degree of auditor judgment and effort in performing procedures relating to the actuarial valuation methods used to develop future ultimate claim costs and actuarial assumptions related to the severity, duration and frequency of claims, legal cost associated with claims, healthcare trends and projected inflation; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the valuation of insurance reserves. These procedures also included, among others, obtaining and evaluating the Company's insurance program documents and testing the underlying historical claims data. Professionals with specialized skill and knowledge were used to assist in testing management's process for estimating the valuation of insurance reserves, including evaluating the appropriateness of the actuarial valuation methods and the reasonableness of actuarial assumptions related to the severity, duration and frequency of claims, legal cost associated with claims, healthcare trends and projected inflation.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan
February 25, 2021

We have served as the Company's auditor since 2002.

Domino's Pizza, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	January 3, 2021	December 29, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 168,821	$ 190,615
Restricted cash and cash equivalents	217,453	209,269
Accounts receivable, net of reserves of $1,793 in 2020 and $2,856 in 2019	244,560	210,260
Inventories	66,683	52,955
Prepaid expenses and other	24,169	19,129
Advertising fund assets, restricted	147,698	105,389
Total current assets	869,384	787,617
Property, plant and equipment:		
Land and buildings	88,063	44,845
Leasehold and other improvements	186,456	164,071
Equipment	292,456	243,708
Construction in progress	13,014	42,705
	579,989	495,329
Accumulated depreciation and amortization	(282,625)	(252,448)
Property, plant and equipment, net	297,364	242,881
Other assets:		
Operating lease right-of-use assets	228,268	228,785
Investments in marketable securities, restricted	13,251	11,982
Goodwill	15,061	15,093
Capitalized software, net of accumulated amortization of $ 124,043 in 2020 and $104,237 in 2019	81,306	73,140
Other assets	60,630	12,521
Deferred income taxes	1,904	10,073
Total other assets	400,420	351,594
Total assets	$ 1,567,168	$ 1,382,092
Liabilities and stockholders' deficit		
Current liabilities:		
Current portion of long-term debt	$ 2,855	$ 43,394
Accounts payable	94,499	111,101
Accrued compensation	58,520	46,214
Accrued interest	31,695	27,881
Operating lease liabilities	35,861	33,318
Insurance reserves	26,377	23,735
Advertising fund liabilities	141,175	101,921
Other accrued liabilities	79,837	66,267
Total current liabilities	470,819	453,831
Long-term liabilities:		
Long-term debt, less current portion	4,116,018	4,071,055
Operating lease liabilities	202,268	202,731
Insurance reserves	37,125	34,675
Deferred income taxes	6,099	—
Other accrued liabilities	35,244	35,559
Total long-term liabilities	4,396,754	4,344,020
Total liabilities	4,867,573	4,797,851
Commitments and contingencies		
Stockholders' deficit		
Common stock, par value $0.01 per share; 170,000,000 shares authorized; 38,868,350 in 2020 and 38,934,009 in 2019 issued and outstanding	389	389
Preferred stock, par value $0.01 per share; 5,000,000 shares authorized, none issued	—	—
Additional paid-in capital	5,122	243
Retained deficit	(3,303,492)	(3,412,649)
Accumulated other comprehensive loss	(2,424)	(3,742)
Total stockholders' deficit	(3,300,405)	(3,415,759)
Total liabilities and stockholders' deficit	$ 1,567,168	$ 1,382,092

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

Domino's Pizza, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	For the Years Ended January 3, 2021	December 29, 2019	December 30, 2018
Revenues:			
U.S. Company-owned stores	$ 485,569	$ 453,560	$ 514,804
U.S. franchise royalties and fees	503,196	428,504	391,493
Supply chain	2,416,651	2,104,936	1,943,297
International franchise royalties and fees	249,757	240,975	224,747
U.S. franchise advertising	462,238	390,799	358,526
Total revenues	4,117,411	3,618,774	3,432,867
Cost of sales:			
U.S. Company-owned stores	379,598	346,168	398,158
Supply chain	2,143,320	1,870,107	1,732,030
Total cost of sales	2,522,918	2,216,275	2,130,188
Operating margin	1,594,493	1,402,499	1,302,679
General and administrative	406,613	382,293	372,464
U.S. franchise advertising	462,238	390,799	358,526
Income from operations	725,642	629,407	571,689
Interest income	1,654	4,048	3,334
Interest expense	(172,166)	(150,818)	(146,345)
Income before provision for income taxes	555,130	482,637	428,678
Provision for income taxes	63,834	81,928	66,706
Net income	$ 491,296	$ 400,709	$ 361,972
Earnings per share:			
Common Stock – basic	$ 12.61	$ 9.83	$ 8.65
Common Stock – diluted	$ 12.39	$ 9.56	$ 8.35

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

Domino's Pizza, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	For the Years Ended January 3, 2021	December 29, 2019	December 30, 2018
Net income	$491,296	$ 400,709	$ 361,972
Currency translation adjustment	1,318	687	(2,048)
Comprehensive income	$492,614	$ 401,396	$ 359,924

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

Domino's Pizza, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(In thousands, except share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2017	42,898,329	$ 429	$ 5,654	$(2,739,437)	$ (2,030)
Net income	—	—	—	361,972	—
Dividends declared on common stock and equivalents ($ 2.20)	—	—	—	(92,211)	—
Issuance and cancellation of stock awards, net	79,868	1	—	—	—
Tax payments for restricted stock upon vesting	(27,308)	—	(6,962)	—	—
Purchases of common stock	(2,387,430)	(24)	(30,743)	(560,445)	—
Exercises of stock options	414,102	4	9,828	—	—
Non-cash equity-based compensation expense	—	—	22,792	—	—
Adoption of ASC 606 (Note 1)	—	—	—	(6,701)	—
Currency translation adjustment	—	—	—	—	(2,048)
Reclassification adjustment for stranded taxes (Note 1)	—	—	—	351	(351)
Balance at December 30, 2018	40,977,561	410	569	(3,036,471)	(4,429)
Net income	—	—	—	400,709	—
Dividends declared on common stock and equivalents ($ 2.60)	—	—	—	(105,605)	—
Issuance and cancellation of stock awards, net	46,913	—	—	—	—
Tax payments for restricted stock upon vesting	(22,506)	—	(5,951)	—	—
Purchases of common stock	(2,493,560)	(25)	(27,700)	(671,282)	—
Exercises of stock options	425,601	4	13,060	—	—
Non-cash equity-based compensation expense	—	—	20,265	—	—

Currency translation adjustment	—	—	—	—	687
Balance at December 29, 2019	38,934,009	389	243	(3,412,649)	(3,742)
Net income	—	—	—	491,296	—
Dividends declared on common stock and equivalents ($ 3.12)	—	—	—	(122,183)	—
Issuance and cancellation of stock awards, net	35,210	—	—	—	—
Tax payments for restricted stock upon vesting	(18,681)	—	(6,803)	—	—
Purchases of common stock	(838,871)	(8)	(43,524)	(261,058)	—
Exercises of stock options	756,683	8	30,962	—	—
Non-cash equity-based compensation expense	—	—	24,244	—	—
Adoption of ASC 326 (Note 1)	—	—	—	1,102	—
Currency translation adjustment	—	—	—	—	1,318
Balance at January 3, 2021	38,868,350	$ 389	$ 5,122	$(3,303,492)	$ (2,424)

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

Domino's Pizza, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Years Ended		
	January 3, 2021	December 29, 2019	December 30, 2018
Cash flows from operating activities:			
Net income	$ 491,296	$ 400,709	$ 361,972
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	65,038	59,930	53,665
Loss (gain) on sale/disposal of assets	2,922	2,023	(4,737)
Amortization of debt issuance costs	5,526	4,748	8,033
Provision (benefit) for deferred income taxes	14,424	(3,297)	(872)
Non-cash equity-based compensation expense	24,244	20,265	22,792
Excess tax benefits from equity-based compensation	(60,364)	(25,735)	(23,786)
Provision for losses on accounts and notes receivable	2,134	1,195	899
Changes in operating assets and liabilities:			
Changes in accounts receivable	(33,334)	(20,900)	(18,172)
Changes in inventories, prepaid expenses and other	(24,959)	(6,741)	(12,455)
Changes in accounts payable and accrued liabilities	68,954	66,137	10,010
Changes in insurance reserves	5,544	5,322	2,174
Changes in operating lease assets and liabilities	2,592	3,302	—
Changes in advertising fund assets and liabilities, restricted	28,777	(10,008)	(5,352)
Net cash provided by operating activities	592,794	496,950	394,171
Cash flows from investing activities:			
Capital expenditures	(88,768)	(85,565)	(119,888)
Purchase of investments (Note 9)	(40,000)	—	—
Proceeds from sale of assets	174	12,258	8,367
Maturities of advertising fund investments, restricted	—	50,152	94,007
Purchases of advertising fund investments, restricted	—	—	(70,152)
Purchases of franchise operations and other assets	—	(3,423)	—
Other	(333)	(1,276)	(591)
Net cash used in investing activities	(128,927)	(27,854)	(88,257)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	158,000	675,000	970,000
Repayments of long-term debt and finance lease obligations	(202,058)	(92,085)	(604,088)
Proceeds from exercise of stock options	30,970	13,064	9,832
Purchases of common stock	(304,590)	(699,007)	(591,212)
Tax payments for restricted stock upon vesting	(6,803)	(5,951)	(6,962)
Payments of common stock dividends and equivalents	(121,925)	(105,715)	(92,166)
Cash paid for financing costs	—	(8,098)	(8,207)
Net cash used in financing activities	(446,406)	(222,792)	(322,803)
Effect of exchange rate changes on cash	761	201	(538)
Change in cash and cash equivalents, restricted cash and cash equivalents	18,222	246,505	(17,427)
Cash and cash equivalents, beginning of period	190,615	25,438	35,768
Restricted cash and cash equivalents, beginning of period	209,269	166,993	191,762
Cash and cash equivalents included in advertising fund assets, restricted, beginning of period	84,040	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	483,924	237,419	254,846
Cash and cash equivalents, end of period	168,821	190,615	25,438
Restricted cash and cash equivalents, end of period	217,453	209,269	166,993
Cash and cash equivalents included in advertising fund assets, restricted, end of period	115,872	84,040	44,988
Cash and cash equivalents, restricted cash and cash equivalents and cash and cash equivalents included in advertising fund assets, restricted, end of period	$ 502,146	$ 483,924	$ 237,419

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

(1) Description of Business and Summary of Significant Accounting Policies

Description of Business

Domino's Pizza, Inc. ("DPI"), a Delaware corporation, conducts its operations and derives substantially all of its operating income and cash flows through its wholly-owned subsidiary, Domino's, Inc. ("Domino's") and Domino's wholly-owned subsidiary, Domino's Pizza LLC ("DPLLC"). DPI and its wholly-owned subsidiaries (collectively, "the Company") are primarily engaged in the following business activities: (i) retail sales of food through Company-owned Domino's Pizza stores; (ii) sales of food, equipment and supplies to Company-owned and franchised Domino's Pizza stores through Company-owned supply chain centers; (iii) receipt of royalties, advertising contributions and fees from U.S. Domino's Pizza franchisees; and (iv) receipt of royalties and fees from international Domino's Pizza franchisees.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of DPI and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Fiscal Year

The Company's fiscal year ends on the Sunday closest to December 31. The 2020 fiscal year ended on January 3, 2021, the 2019 fiscal year ended on December 29, 2019 and the 2018 fiscal year ended on December 30, 2018. The 2020 fiscal year consisted of fifty-three weeks, and the 2019 and 2018 fiscal years each consisted of fifty-two weeks.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less at the date of purchase. These investments are carried at cost, which approximates fair value.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents at January 3, 2021 included approximately $ 177.1 million of restricted cash and cash equivalents held for future principal and interest payments and other working capital requirements of the Company's asset-backed securitization structure, $39.6 million of restricted cash equivalents held in a three-month interest reserve as required by the related debt agreements and $ 0.8 million of other restricted cash. As of January 3, 2021, the Company also held $115.9 million of advertising fund restricted cash and cash equivalents, which can only be used for activities that promote the Domino's Pizza brand.

Restricted cash and cash equivalents at December 29, 2019 included $ 157.4 million of restricted cash and cash equivalents held for future principal and interest payments and other working capital requirements of the Company's asset-backed securitization structure, $48.7 million of restricted cash equivalents held in a three-month interest reserve as required by the related debt agreements and $ 3.2 million of other restricted cash. As of December 29, 2019, the Company also held $84.0 million of advertising fund restricted cash and cash equivalents, which can only be used for activities that promote the Domino's Pizza brand.

Allowances for Credit Losses

The Company closely monitors accounts and notes receivable balances and estimates the allowance for credit losses. These estimates are based on historical collection experience and other factors, including those related to current market conditions and events. The Company's allowances for accounts and notes receivable have not historically been material.

The Company also monitors its off-balance sheet exposures under its letters of credit (Note 4), lease guarantees (Note 5) and surety bonds. Total conditional commitments under surety bonds were $11.0 million as of January 3, 2021 and $ 7.6 million as of December 29, 2019. None of these arrangements has had or is likely to have a material effect on the Company's results of operations, financial condition, revenues, expenses or liquidity.

Inventories

Inventories are valued at the lower of cost (on a first-in, first-out basis) or net realizable value. Inventories at January 3, 2021 and December 29, 2019 were comprised of the following (in thousands):

	2020	2019
Food	$57,116	$49,304
Equipment and supplies	9,567	3,651
Inventories	$66,683	$52,955

Other Assets

Current and long-term other assets primarily include prepaid expenses such as insurance, taxes, deposits, notes receivable, software licenses, implementation costs for software as a service arrangements, equity investments without readily determinable fair values, covenants not-to-compete and other intangible assets primarily arising from franchise acquisitions. Other long-term assets included an amortizable intangible asset associated with the acquisition of three U.S. franchise stores during 2019 (Note 13). This intangible asset had a net carrying value, inclusive of accumulated amortization, of $0.9 million and $ 1.3 million as of January 3, 2021 and December 29, 2019, respectively.

Property, Plant and Equipment

Property, Plant and Equipment

Additions to property, plant and equipment are recorded at cost. Repair and maintenance costs are expensed as incurred. Depreciation and amortization expense are provided using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are generally as follows (in years):

Buildings	20
Leasehold and other improvements	7 – 15
Equipment	3 – 15

Depreciation and amortization expense on property, plant and equipment was approximately $ 42.0 million, $37.1 million and $35.0 million in 2020, 2019 and 2018, respectively.

Impairments of Long-Lived Assets

The Company evaluates the potential impairment of long-lived assets at least annually based on various analyses including the projection of undiscounted cash flows and whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. For Company-owned stores, the Company performs this evaluation on an operating market basis, which the Company has determined to be the lowest level for which identifiable cash flows are largely independent of other cash flows. If the carrying amount of a long-lived asset exceeds the amount of the expected future undiscounted cash flows of that asset, the Company estimates the fair value of the assets. If the carrying amount of the asset exceeds the estimated fair value of the asset, an impairment loss is recognized, and the asset is written down to its estimated fair value. The Company did not record any impairment losses on long-lived assets in 2020, 2019 and 2018.

Investments in Marketable Securities

Investments in marketable securities consist of investments in various mutual funds made by eligible individuals as part of the Company's deferred compensation plan (Note 8). These investments are stated at aggregate fair value, are restricted and have been placed in a rabbi trust whereby the amounts are irrevocably set aside to fund the Company's obligations under the deferred compensation plan. The Company classifies and accounts for these investments in marketable securities as trading securities.

Goodwill

The Company's goodwill amounts primarily relate to franchise store acquisitions and are not amortized. The Company performs its required impairment tests in the fourth quarter of each fiscal year and did not recognize any goodwill impairment charges in 2020, 2019 and 2018.

Equity investments without readily determinable fair values

Equity investments without readily determinable fair values are recorded at cost with adjustments for observable changes in prices resulting from orderly transactions for the identical or a similar investment of the same issuer or impairments and are classified as long-term other assets in the Company's consolidated balance sheet. Any adjustments to the carrying amount are recognized in other income (expense), net in the Company's consolidated statements of income.

The Company evaluates the potential impairment of its investments based on various analyses including financial results and operating trends, implied values from recent similar transactions and other relevant available information. If the carrying amount of the investment exceeds the estimated fair value of the investment, an impairment loss is recognized, and the investment is written down to its estimated fair value.

Capitalized Software

Capitalized software is recorded at cost and includes purchased, internally-developed and externally-developed software used in the Company's operations. Amortization expense is provided using the straight-line method over the estimated useful lives of the software, which range from one to seven years. Capitalized software amortization expense was approximately $23.0 million, $22.8 million and $18.7 million in 2020, 2019 and 2018, respectively. As of January 3, 2021, scheduled amortization for capitalized software that has been placed in service is approximately $20.5 million in 2021, $12.6 million in 2022, $4.3 million in 2023, $0.8 million in 2024, $0.5 million in 2025 and $0.2 million thereafter. As of January 3, 2021, the Company also had $42.4 million of capitalized software that had not yet been placed in service.

Debt Issuance Costs

Debt issuance costs are recorded as a reduction to the Company's debt balance and primarily include the expenses incurred by the Company as part of the 2019, 2018, 2017 and 2015 Recapitalizations. See Note 4 for a description of the 2019, 2018, 2017 and 2015 Recapitalizations. Amortization is recorded on a straight-line basis (which is materially consistent with the effective interest method) over the expected terms of the respective debt instrument to which the costs relate and is included in interest expense.

In connection with the 2019, 2018, 2017 and 2015 Recapitalizations, the Company recorded $ 8.1 million, $8.2 million, $16.8 million and $17.4 million of debt issuance costs, respectively. In connection with the 2018 Recapitalization, the Company repaid the 2015 Five-Year Fixed Rate Notes and expensed approximately $3.2 million for the remaining unamortized debt issuance costs associated with these notes.

Debt issuance cost expense was approximately $5.5 million, $4.7 million and $8.0 million in 2020, 2019 and 2018, respectively.

Insurance Reserves

The Company has retention programs for workers' compensation, general liability and owned and non-owned automobile liabilities for certain periods prior to December 1998 and for periods after December 2001. The Company is generally responsible for up to $2.0 million per occurrence under these retention programs for workers' compensation and general liability exposures. The Company is also generally responsible for between $500,000 and $5.5 million per occurrence under these retention programs for owned and non-owned automobile liabilities depending on the year. Total insurance limits under these retention programs vary depending on the year covered and range up to

$110.0 million per occurrence for general liability and owned and non-owned automobile liabilities and up to the applicable statutory limits for workers' compensation.

Insurance reserves relating to our retention programs are based on undiscounted actuarial estimates. These estimates are based on historical information and on certain assumptions about future events. Changes in assumptions for such factors as medical costs and legal actions, as well as changes in actual experience, could cause these estimates to change in the near term. The Company generally receives estimates of outstanding insurance exposures from its independent actuary twice per year and differences between these estimated actuarial exposures and the Company's recorded amounts are adjusted as appropriate. The Company had reserves for these programs of $54.6 million and $50.3 million as of January 3, 2021 and December 29, 2019, respectively.

In addition, the Company maintains reserves for its share of employee health costs as part of the health care benefits offered to its employees. Reserves are based on estimated claims incurred that have not yet been paid, based on historical claims and payment lag times.

Contract Liabilities

Contract liabilities consist primarily of deferred franchise fees and deferred development fees. Deferred franchise fees and deferred development fees of $4.1 million and $4.2 million were included in current other accrued liabilities as of January 3, 2021 and December 29, 2019, respectively. Deferred franchise fees and deferred development fees of $15.0 million and $16.3 million were included in long-term other accrued liabilities as of January 3, 2021 and December 29, 2019, respectively.

Changes in deferred franchise fees and deferred development fees in 2020 and 2019 were as follows (in thousands):

	Fiscal Year Ended	
	January 3, 2021	December 29, 2019
Deferred franchise fees and deferred development fees at beginning of period	$ 20,463	$ 19,900
Revenue recognized during the period	(6,205)	(5,695)
New deferrals due to cash received and other	4,832	6,258
Deferred franchise fees and deferred development fees at end of period	$ 19,090	$ 20,463

The Company expects to recognize revenue of $ 4.1 million in 2021, $3.0 million in 2022, $2.7 million in 2023, $2.4 million in 2024, $2.0 million in 2025 and $4.9 million thereafter associated with the total deferred franchise fee and deferred development fee amount above.

The Company has applied the sales-based royalty exemption which permits exclusion of variable consideration in the form of sales-based royalties from the disclosure of remaining performance obligations.

Other Accrued Liabilities

Current and long-term other accrued liabilities primarily include accruals for income, sales, property and other taxes, legal reserves, store operating expenses, dividends payable and deferred compensation liabilities.

Foreign Currency Translation

The Company's foreign entities use their local currency as the functional currency. For these entities, the Company translates net assets into U.S. dollars at year end exchange rates, while income and expense accounts are translated at average annual exchange rates. Currency translation adjustments are included in accumulated other comprehensive income (loss) and foreign currency transaction gains and losses are included in determining net income.

Revenue Recognition

U.S. Company-owned stores revenues are comprised of retail sales of food through Company-owned Domino's Pizza stores located in the U.S. and are recognized when the items are delivered to or carried out by customers. Customer payments are generally due at the time of sale. Sales taxes related to these sales are collected from customers and remitted to the appropriate taxing authority and are not reflected in the Company's consolidated statements of income as revenue.

U.S. franchise royalties and fees are primarily comprised of royalties and fees from Domino's Pizza franchisees with operations in the U.S. Each franchisee is generally required to pay a 5.5% royalty fee on sales. In certain instances, the Company will collect lower rates based on area development agreements, sales initiatives, store relocation incentives and new store incentives. Royalty revenues are based on a percentage of franchise retail sales and are recognized when the items are delivered to or carried out by franchisees' customers. U.S. franchise fee revenue primarily relates to per-transaction technology fees that are recognized as the related sales occur. Payments for U.S. royalties and fees are generally due within seven days of the prior week end date.

Supply chain revenues are primarily comprised of sales of food, equipment and supplies to franchised Domino's Pizza stores located in the U.S. and Canada. Revenues from the sale of food are recognized upon delivery of the food to franchisees and payments for food purchases are generally due within 30 days of the shipping date. Revenues from the sale of equipment and supplies are recognized upon delivery or shipment of the related products to franchisees, based on shipping terms, and payments for equipment and supplies are generally due within 90 days of the shipping date. The Company also offers profit sharing rebates and volume discounts to its franchisees. Obligations for profit sharing rebates are calculated based on actual results of its supply chain centers and are recognized as a reduction to revenue.

Volume discounts are based on annual sales. The Company estimates the amount that will be earned and records a reduction to revenue.

International franchise royalties and fees are primarily comprised of royalties and fees from Domino's Pizza franchisees outside of the U.S. Royalty revenues are recognized when the items are delivered to or carried out by franchisees' customers. Store opening fees received from international franchisees are recognized as revenue on a straight-line basis over the term of each respective franchise store agreement, which is typically ten years. Development fees received from international master franchisees are also deferred when amounts are received and are recognized as revenue on a straight-line basis over the term of the respective master franchise agreement, which is typically ten years. International franchise fee revenue primarily relates to per-transaction technology fees that are recognized as the related sales occur. International franchise royalties and fees are invoiced at least quarterly and payments are generally due within 60 days.

U.S. franchise advertising revenues are comprised of contributions from Domino's Pizza franchisees with operations in the U.S. to the Domino's National Advertising Fund Inc. ("DNAF"), the Company's consolidated not-for-profit subsidiary that administers the Domino's Pizza system's national and market level advertising activities in the U.S. Each franchisee is generally required to contribute 6% of their retail sales to fund national marketing and advertising campaigns (subject, in certain instances, to lower rates based on certain incentives and waivers). These revenues are recognized when items are delivered to or carried out by franchisees' customers. Payments for U.S. franchise advertising revenues are generally due within seven days of the prior week end date. Although these revenues are restricted to be used only for advertising and promotional activities to benefit franchised stores, the Company has determined there are not performance obligations associated with the franchise advertising contributions received by DNAF that are separate from its U.S. royalty payment stream and as a result, these franchise contributions and the related expenses are presented gross in the Company's consolidated statements of income.

Disaggregation of Revenue

Current accounting standards require that companies disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Company has included its revenues disaggregated in its consolidated statements of income to satisfy this requirement.

Supply Chain Profit-Sharing Arrangements

The Company enters into profit-sharing arrangements with U.S. and Canadian stores that purchase all of their food from the Company's supply chain centers. These profit-sharing arrangements generally offer Company-owned stores and participating franchisees with 50% (or a higher percentage in the case of Company-owned stores and certain franchisees who operate a larger number of stores) of the pre-tax profit from the Company's supply chain center operations. Profit-sharing obligations are recorded as a revenue reduction in supply chain in the same period as the related revenues and costs are recorded, and were $169.0 million, $143.5 million and $132.7 million in 2020, 2019 and 2018, respectively.

Advertising

U.S. stores (Note 12) are generally required to contribute 6% of sales to DNAF. U.S. franchise advertising costs are accrued and expensed when the related U.S. franchise advertising revenues are recognized, as DNAF is obligated to expend such revenues on advertising. U.S. franchise advertising costs expended by DNAF are included in U.S. franchise advertising expenses in the Company's consolidated statements of income. Advertising costs funded by Company-owned stores are generally expensed as incurred and are included in general and administrative expense. Contributions from Company-owned stores that have not yet been expended are included in advertising fund assets, restricted on the Company's consolidated balance sheet.

Advertising expense included $462.2 million, $390.8 million and $358.5 million of U.S. franchise advertising expense in 2020, 2019 and 2018, respectively. Advertising expense also included $35.7 million, $37.6 million and $43.4 million in 2020, 2019 and 2018, respectively, primarily related to advertising costs funded by U.S. Company-owned stores which is included in general and administrative expense in the consolidated statements of income.

As of January 3, 2021, advertising fund assets, restricted of $ 147.7 million consisted of $115.9 million of cash and cash equivalents, $27.0 million of accounts receivable and $4.8 million of prepaid expenses. As of January 3, 2021, advertising fund cash and cash equivalents included $6.5 million of cash contributed from U.S. Company-owned stores that had not yet been expended.

As of December 29, 2019, advertising fund assets, restricted of $ 105.4 million consisted of $84.0 million of cash and cash equivalents, $15.3 million of accounts receivable and $6.1 million of prepaid expenses. As of December 29, 2019, advertising fund cash and cash equivalents included $3.5 million of cash contributed from U.S. Company-owned stores that had not yet been expended.

Leases

The Company leases certain retail store and supply chain center locations, supply chain vehicles, equipment 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 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 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. 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.

Common Stock Dividends

The Company declared dividends of approximately $ 122.2 million (or $3.12 per share) in 2020, approximately $ 105.6 million (or $2.60 per share) in 2019 and approximately $92.2 million (or $2.20 per share) in 2018. The Company paid dividends of approximately $ 121.9 million, $105.7 million and $92.2 million in 2020, 2019 and 2018, respectively.

On February 24, 2021, the Company's Board of Directors declared a quarterly dividend of $ 0.94 per common share payable on March 30, 2021 to shareholders of record at the close of business on March 15, 2021.

Stock Options and Other Equity-Based Compensation Arrangements

The cost of all of the Company's stock options, as well as other equity-based compensation arrangements, is reflected in the financial statements based on the estimated fair value of the awards (Note 10).

Earnings Per Share

The Company discloses two calculations of earnings per share ("EPS"): basic EPS and diluted EPS (Note 2). The numerator in calculating common stock basic and diluted EPS is consolidated net income. The denominator in calculating common stock basic EPS is the weighted average shares outstanding. The denominator in calculating common stock diluted EPS includes the additional dilutive effect of outstanding stock options, unvested restricted stock grants and unvested performance-based restricted stock grants.

Supplemental Disclosures of Cash Flow Information

The Company paid interest of approximately $ 160.6 million, $142.3 million and $132.8 million during 2020, 2019 and 2018, respectively, on its Notes (Note 4). Cash paid for income taxes was approximately $60.4 million, $80.3 million and $71.7 million in 2020, 2019 and 2018.

The Company had $4.3 million, $6.9 million and $3.8 million of non-cash investing activities related to accruals for capital expenditures at January 3, 2021, December 29, 2019 and December 30, 2018, respectively. The Company also had $0.7 million of non-cash investing activities related to lease incentives in 2020.

New Accounting Pronouncements

Recently Adopted Accounting Standards

Accounting Standards Update ("ASU") 2016-13, Financial Instruments – Credit Losses (Topic 326)

In June 2016, the Financial Accounting Standards Board ("FASB") issued *ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASC 326"). ASC 326 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. The Company adopted this standard as of December 30, 2019, the first day of its 2020 fiscal year, using the modified retrospective approach and it did not have a material impact on its consolidated financial statements.

The effects of the changes made to the Company's consolidated balance sheet as of December 30, 2019 for the adoption of ASC 326 were as follows:

	Balance at December 29, 2019	Adjustments Due to ASC 326	Balance at December 30, 2019
Assets			
Current assets:			
Accounts receivable, net	$ 210,260	$ 1,435	$ 211,695
Prepaid expenses and other	19,129	4	19,133
Other assets:			
Other assets	12,521	27	12,548
Deferred income taxes	10,073	(364)	9,709
Liabilities and stockholders' deficit			
Stockholders' deficit:			
Retained deficit	(3,412,649)	1,102	(3,411,547)

The Company recognized the cumulative effect of initially applying ASC 326 as an adjustment to the opening balance of retained deficit. The comparative information has not been restated and continues to be reported under the accounting standards in effect for that period. An adjustment to beginning retained deficit and a corresponding adjustment to the allowance for doubtful accounts and notes receivable of approximately $1.5 million was recorded on the date of adoption, representing the remeasurement of these accounts to the Company's estimate for current expected credit losses. The adjustment to beginning retained deficit was also net of a $0.4 million adjustment to deferred income taxes.

ASU 2016-02, Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Leases* (“ASC 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 first day of its fiscal 2019 year, 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 consolidated balance sheet. The Company elected the optional transition package, including practical expedients that permitted it not to reassess whether any expired or existing contracts are or contain leases, the classification of any expired or existing leases and initial direct costs of any existing leases, and accordingly, the adoption of ASC 842 did not have a material effect on the Company’s consolidated statement of income and consolidated statement of cash flows. Refer to Note 5 for additional disclosure related to the Company’s lease arrangements.

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 was completed and leased to the Company in the third quarter of 2019. During the construction phase, this lease was previously accounted for as a build-to-suit arrangement under prior lease accounting guidance.

ASU 2014-09, Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and has since issued various amendments which provide additional clarification and implementation guidance. This standard has been codified as ASC 606. This guidance outlines a single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and superseded most revenue recognition guidance issued by the FASB, including industry specific guidance. On January 1, 2018, the Company adopted ASC 606 using the modified retrospective method.

The Company recognized the cumulative effect of initially applying ASC 606 as an adjustment to the opening balance of retained deficit. The comparative information has not been restated and continues to be reported under the accounting standards in effect for that period.

The Company has determined that the store opening fees received from international franchisees do not relate to separate and distinct performance obligations from the franchise right and those upfront fees will therefore be recognized as revenue over the term of each respective franchise store agreement, which is typically 10 years. In the past, the Company recognized such fees as revenue when the related store opened. An adjustment to beginning retained deficit and a corresponding contract liability of approximately $15.0 million (of which $2.4 million was current and $12.6 million was long-term) was established on the date of adoption associated with the fees received through December 31, 2017 that would have been deferred and recognized over the term of each respective franchise store agreement if the new guidance had been applied in the past. A deferred tax asset of $3.5 million related to this contract liability was also established on the date of adoption.

The Company has also determined that ASC 606 requires a gross presentation on the consolidated statement of income for franchisee contributions received by and related expenses of DNAF, the Company’s consolidated not-for-profit subsidiary. DNAF exists solely for the purpose of promoting the Domino’s Pizza brand in the U.S. Under prior accounting guidance, the Company had presented the restricted assets and liabilities of DNAF in its consolidated balance sheets and had determined that it acted as an agent for accounting purposes with regard to franchisee contributions and disbursements. As a result, the Company historically presented the activities of DNAF net in its consolidated statements of income and consolidated statements of cash flows.

Under the requirements of ASC 606, the Company determined that there are not performance obligations associated with the franchise advertising contributions received by DNAF that are separate from the Company’s U.S. royalty payment stream and as a result, these franchise contributions and the related expenses are presented gross in the Company’s consolidated statement of income and consolidated statement of cash flows. While this change materially impacted the gross amount of reported franchise revenues and expenses, the impact is generally expected to be an offsetting increase to both revenues and expenses such that the impact on income from operations and net income is not expected to be material. An adjustment to beginning retained deficit and advertising fund liabilities of approximately $6.4 million related to the timing of advertising expense recognition was recorded on the date of adoption. A deferred tax liability of approximately $1.6 million related to this adjustment was also established on the date of adoption.

ASU 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220)

In February 2018, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (“ASU 2018-02”). The amendments in this updated standard allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. The Company adopted ASU 2018-02 in 2018 and, as a result, recorded a $0.4 million reclassification from accumulated other comprehensive loss to the beginning balance of retained deficit in 2018.

Accounting Standards Not Yet Adopted

The Company has considered all new accounting pronouncements issued by the FASB. The following represent accounting pronouncements that are applicable to the Company, but for which the Company has not yet completed its assessment or has not yet adopted as of January 3, 2021.

ASU 2019-12, Income Taxes – Simplifying the Accounting for Income Taxes (Topic 740)

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”), which simplifies the accounting for income taxes. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, including applicable interim periods. The Company will adopt this accounting standard in the first quarter of 2021 and does not expect that it will have a material impact on its consolidated financial statements.

ASU 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848)

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"), which provides temporary optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions affected by reference rate reform. The Company's floating rate notes and variable funding notes bear interest at fluctuating interest rates based on LIBOR. If LIBOR ceases to exist, the Company may need to renegotiate its loan documents and the Company cannot predict what alternative index would be negotiated with its lenders. ASU 2020-04 is currently effective and upon adoption may be applied prospectively to contract modifications made on or before December 31, 2022. 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Earnings per Share

The computation of basic and diluted earnings per common share for 2020, 2019 and 2018 is as follows (in thousands, except share and per share amounts):

	2020	2019	2018
Net income available to common stockholders – basic and diluted	$ 491,296	$ 400,709	$ 361,972
Weighted average number of common shares	38,974,037	40,766,362	41,856,017
Earnings per common share – basic	$ 12.61	$ 9.83	$ 8.65
Diluted weighted average number of common shares	39,640,791	41,923,062	43,331,278
Earnings per common share – diluted	$ 12.39	$ 9.56	$ 8.35

The denominators used in calculating diluted earnings per share for common stock do not include 52,330 options to purchase common stock in 2020, 160,980 options to purchase common stock in 2019 and 76,686 options to purchase common stock in 2018, as the effect of including these options would be anti-dilutive. The denominator used in calculating diluted earnings per share for common stock does not include 28,570 shares subject to restricted stock awards in 2018, as the effect of including these shares would have been anti-dilutive. The denominators used in calculating diluted earnings per share for common stock do not include 68,159 restricted performance shares in 2020, 82,647 restricted performance shares in 2019 and 81,545 restricted performance shares in 2018 as the performance targets for these awards had not yet been met.

(3) 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 fair value of the Company's Level 3 investment (Note 9) is not readily determinable. The fair value represents its cost with adjustments for observable changes in prices resulting from orderly transactions for the identical or a similar investment of the same issuer or impairments. The following table summarizes the carrying amounts and fair values of certain assets at January 3, 2021 (in thousands):

	At January 3, 2021			
		Fair Value Estimated Using		
	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cash equivalents	$151,502	$151,502	$ —	$ —
Restricted cash equivalents	126,595	126,595	—	—
Investments in marketable securities	13,251	13,251	—	—
Advertising fund cash equivalents, restricted	104,197	104,197	—	—
Investments (Note 9)	40,000	—	—	40,000

The following table summarizes the carrying amounts and fair values of certain assets at December 29, 2019 (in thousands):

	At December 29, 2019			
		Fair Value Estimated Using		
	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cash equivalents	$180,459	$180,459	$ —	$ —
Restricted cash equivalents	126,963	126,963	—	—
Investments in marketable securities	11,982	11,982	—	—

Advertising fund cash equivalents, restricted	67,851	67,851	—	—

(4) Recapitalizations and Financing Arrangements

2019 Recapitalization

On November 19, 2019, the Company completed a recapitalization (the "2019 Recapitalization") in which certain of the Company's subsidiaries issued $675.0 million Series 2019-1 3.668% Fixed Rate Senior Secured Notes, Class A-2 with an anticipated term of 10 years (the "2019 Fixed Rate Notes") pursuant to an asset-backed securitization. The Company also entered into a revolving financing facility on the Closing Date, which allows for the issuance of up to $200.0 million Series 2019-1 Variable Funding Senior Secured Notes, Class A-1 (the "2019 Variable Funding Notes") and certain other credit instruments, including letters of credit. The 2019 Fixed Rate Notes and the 2019 Variable Funding Notes are referred to collectively as the "2019 Notes." Gross proceeds from the issuance of the 2019 Notes were $675.0 million.

The proceeds from the 2019 Recapitalization were used to pre-fund a portion of the principal and interest payable on the 2019 Notes, pay transaction fees and expenses and repurchase and retire shares of the Company's common stock. Additionally, in connection with the 2019 Recapitalization, the Company capitalized $8.1 million of debt issuance costs, which are being amortized into interest expense over the expected term of the 2019 Fixed Rate Notes.

2018 Recapitalization

On April 24, 2018, the Company completed a recapitalization (the "2018 Recapitalization") in which certain of the Company's subsidiaries issued notes pursuant to an asset-backed securitization. The notes consist of $425.0 million Series 2018-1 4.116% Fixed Rate Senior Secured Notes, Class A-2-I with an anticipated term of 7.5 years (the "2018 7.5-Year Fixed Rate Notes"), and $400.0 million Series 2018-1 4.328% Fixed Rate Senior Secured Notes, Class A-2-II with an anticipated term of 9.25 years (the "2018 9.25-Year Fixed Rate Notes" and, collectively with the 2018 7.5-Year Fixed Rate Notes, the "2018 Notes"). Gross proceeds from the issuance of the 2018 Notes were $825.0 million.

The proceeds from the 2018 Recapitalization were used to repay the remaining $ 490.1 million in outstanding principal and interest under the Company's 2015 Five-Year Fixed Rate Notes, pre-fund a portion of the principal and interest payable on the 2018 Notes, pay transaction fees and expenses and repurchase and retire shares of the Company's common stock. In connection with the repayment of the 2015 Five-Year Fixed Rate notes, the Company expensed approximately $3.2 million for the remaining unamortized debt issuance costs associated with these notes. Additionally, in connection with the 2018 Recapitalization, the Company capitalized $8.2 million of debt issuance costs, which are being amortized into interest expense over the expected terms of the 2018 Notes.

2017 Recapitalization

On July 24, 2017, the Company completed a recapitalization (the "2017 Recapitalization") in which certain of the Company's subsidiaries issued notes pursuant to an asset-backed securitization. The notes consist of $300.0 million Series 2017-1 Floating Rate Senior Secured Notes, Class A-2-I with an anticipated term of five years (the "2017 Floating Rate Notes"), $600.0 million Series 2017-1 3.082% Fixed Rate Senior Secured Notes, Class A-2-II with an anticipated term of five years (the "2017 Five-Year Fixed Rate Notes") and $ 1.0 billion Series 2017-1 4.118% Fixed Rate Senior Secured Notes, Class A-2-III with an anticipated term of ten years (the "2017 Ten-Year Fixed Rate Notes" and, collectively with the 2017 Floating Rate Notes and the 2017 Five-Year Fixed Rate Notes, the "2017 Notes"). The interest rate on the 2017 Floating Rate Notes is payable at a rate equal to LIBOR plus 125 basis points. Gross proceeds from the issuance of the 2017 Notes were $1.9 billion.

2015 Recapitalization

On October 21, 2015, the Company completed a recapitalization transaction (the "2015 Recapitalization") in which certain of the Company's subsidiaries issued notes pursuant to an asset-backed securitization. The notes consisted of $500.0 million Series 2015-1 3.484% Fixed Rate Senior Secured Notes, Class A-2-I (the "2015 Five-Year Fixed Rate Notes") and $ 800.0 million Series 2015-1 4.474% Fixed Rate Senior Secured Notes, Class A-2-II (the "2015 Ten-Year Fixed Rate Notes" and, together with the 2015 Five-Year Fixed Rate Notes, the "2015 Notes"). Gross proceeds from the issuance of the 2015 Notes were $1.3 billion.

The 2019 Notes, 2018 Notes, 2017 Notes and 201 5 Notes are collectively referred to as the "Notes."

2019 Notes

The 2019 Fixed Rate Notes have original remaining scheduled principal payments of $ 6.8 million in each of 2021 through 2028 and $614.3 million in 2029. During 2020, the Company made principal payments of approximately $ 6.8 million on the 2019 Fixed Rate Notes. As noted below with respect to guarantees and covenants of the notes, as of the fourth quarter of 2020, the Company had a leverage ratio of less than 5.0x, and accordingly, did not make the previously scheduled debt amortization payment beginning in the first quarter of 2021.

The legal final maturity date of the 2019 Fixed Rate Notes is October 2049, but it is anticipated that, unless earlier prepaid to the extent permitted under the related debt agreements, the 2019 Fixed Rate Notes will be repaid on or prior to the anticipated repayment date occurring in October 2029. If the Company has not repaid or refinanced the 2019 Fixed Rate Notes prior to the applicable anticipated repayment dates, additional interest of at least 5% per annum will accrue, as defined in the related agreements.

The 2019 Variable Funding Notes allow for advances of up to $ 200.0 million and issuance of certain other credit instruments, including letters of credit. The letters of credit are primarily related to our casualty insurance programs and certain supply chain center leases. Interest on the 2019 Variable Funding Notes is payable at a per year rate equal to LIBOR plus 150 basis points. The 2019 Variable Funding Notes were undrawn at closing. The unused portion of the 2019 Variable Funding Notes is subject to a commitment fee ranging from 50 to 100 basis points depending on utilization. It is anticipated that any amounts outstanding on the 2019 Variable Funding Notes will be repaid in full on or prior to October 2024, subject to two additional one-year extensions at the option of the Company, subject to certain conditions. Following the anticipated repayment date (and any extensions thereof), additional interest will accrue on the 2019 Variable Funding Notes equal to 5% per annum.

The Company borrowed and repaid $158.0 million under the 2019 Variable Funding Notes in 2020. As of January 3, 2021, the Company had no outstanding borrowings and $157.5 million of available borrowing capacity under its 2019 Variable Funding Notes, net of letters of credit issued of $42.5 million.

2018 Notes

The 2018 Notes have original remaining scheduled principal payments of $8.3 million in each of 2021 through 2024, $402.4 million in 2025, $4.0 million in 2026 and $367.0 million in 2027. During 2020, the Company made principal payments of approximately $8.3 million on the 2018 Notes. As noted below with respect to guarantees and covenants of the notes, as of the fourth quarter of 2020, the Company had a leverage ratio of less than 5.0x, and accordingly, did not make the previously scheduled debt amortization payment beginning in the first quarter of 2021.

The legal final maturity date of the 2018 Notes is July 2048, but it is anticipated that, unless earlier prepaid to the extent permitted under the related debt agreements, the 2018 7.5-Year Fixed Rate Notes will be repaid on or prior to the anticipated repayment date occurring in October 2025, and the 2018 9.25-Year Fixed Rate Notes will be repaid on or prior to the anticipated repayment date occurring in July 2027. If the Company has not repaid or refinanced the 2018 Notes prior to the applicable anticipated repayment dates, additional interest of at least 5% per annum will accrue, as defined in the related agreements.

2017 Notes

The 2017 Notes have original remaining scheduled principal payments of $19.0 million in 2021, $874.0 million in 2022, $10.0 million in each of 2023 through 2026, and $910.0 million in 2027. During 2020, the Company made principal payments of approximately $19.0 million on the 2017 Notes. As noted below with respect to guarantees and covenants of the notes, as of the fourth quarter of 2020, the Company had a leverage ratio of less than 5.0x, and accordingly, did not make the previously scheduled debt amortization payment beginning in the first quarter of 2021.

The legal final maturity date of the 2017 Notes is October 2047, but it is anticipated that, unless earlier prepaid to the extent permitted under the related debt agreements, the 2017 Floating Rate Notes and 2017 Five-Year Fixed Rate Notes will be repaid on or prior to the anticipated repayment date occurring in July 2022, and the 2017 Ten-Year Fixed Rate Notes will be repaid on or prior to the anticipated repayment date occurring in July 2027. If the Company has not repaid or refinanced the 2017 Notes prior to the applicable anticipated repayment dates, additional interest of at least 5% per annum will accrue, as defined in the related agreements.

As of the fourth quarter of 2020, the Company had a leverage ratio of less than 5.0x, and accordingly, did not make the previously scheduled debt amortization payment beginning in the first quarter of 2021, and the Company does not intend to make any scheduled dept principal payments in 2021 while the leverage ratio is less than 5.0x. Accordingly, all principal amounts of the outstanding 2019 Fixed Rate Notes, 2018 Notes, the 2017 Notes and the 2015 Notes have been classified as long-term debt in the consolidated balance sheet as of January 3, 2021.

During the third quarter of 2019, the Company had a leverage ratio of less than 5.0x, and, in accordance with the Company's debt agreements, ceased debt amortization payments in the fourth quarter of 2019. Subsequent to the 2019 Recapitalization, the Company's leverage ratios exceeded the leverage ratio of 5.0x and, accordingly, the Company resumed making the scheduled amortization payments on the Notes in the first quarter of 2020.

Consolidated Long-Term Debt

At January 3, 2021 and December 29, 2019, consolidated long-term debt consisted of the following (in thousands):

	2020	2019
2015 Ten-Year Fixed Rate Notes	$ 766,000	$ 774,000
2017 Five-Year Fixed Rate Notes	582,000	588,000
2017 Ten-Year Fixed Rate Notes	970,000	980,000
2017 Five-Year Floating Rate Notes	291,000	294,000
2018 7.5-Year Fixed Rate Notes	415,438	419,688
2018 9.25-Year Fixed Rate Notes	391,000	395,000
2019 Ten-Year Fixed Rate Notes	668,250	675,000
Finance lease obligations	60,555	19,657
Debt issuance costs, net of accumulated amortization of $18.4 million in 2020 and $12.9 million in 2019	(25,370)	(30,896)
Total debt	4,118,873	4,114,449
Less – current portion	2,855	43,394
Consolidated long-term debt, net of debt issuance costs	$4,116,018	$4,071,055

At January 3, 2021, maturities of long-term debt and finance lease obligations are as follows (in thousands):

2021	$ 2,855
2022	876,027
2023	2,937

2024	3,198
2025	1,184,512
Thereafter	2,074,714
	$4,144,243

Fair Value Disclosures

Management estimated the approximate fair values of the 2019 Fixed Rate Notes, 2018 Notes, 2017 Notes and 2015 Notes as follows (in thousands):

	January 3, 2021		December 29, 2019	
	Principal Amount	Fair Value	Principal Amount	Fair Value
2015 Ten-Year Fixed Rate Notes	$766,000	$ 809,662	$774,000	$ 804,960
2017 Five-Year Fixed Rate Notes	582,000	582,582	588,000	588,588
2017 Ten-Year Fixed Rate Notes	970,000	1,035,960	980,000	1,017,240
2017 Five-Year Floating Rate Notes	291,000	291,000	294,000	294,000
2018 7.5-Year Fixed Rate Notes	415,438	437,456	419,688	431,439
2018 9.25-Year Fixed Rate Notes	391,000	422,280	395,000	414,355
2019 Ten-Year Fixed Rate Notes	668,250	712,355	675,000	675,675

As of January 3, 2021 and December 29, 2019, the weighted average remaining lease term and weighted average discount rate for the Company's operating and finance leases were as follows:

	January 3, 2021		December 29, 2019	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted average remaining lease term	7 years	16 years	8 years	14 years
Weighted average discount rate	3.7%	6.8%	3.8%	11.7%

Supplemental cash flow information related to leases for 2020 and 2019 was as follows (in thousands):

	Fiscal Year Ended	
	January 3, 2021	December 29, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 43,679	$ 43,608
Operating cash flows from finance leases	3,340	1,952
Financing cash flows from finance leases	2,058	647
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	37,375	63,685
Finance leases	42,894	3,255

During 2018, the Company renewed the leases of four supply chain center buildings and extended the terms of the leases. As a result, the Company recorded non-cash financing activities of $12.0 million for the increase in capital lease assets and liabilities during 2018. During 2018, the Company also recorded $1.9 million in non-cash financing activities related to a build-to-suit arrangement, which was derecognized in connection with the Company's adoption of ASC 842 in 2019.

Maturities of lease liabilities as of January 3, 2021 were as follows (in thousands):

	Operating Leases	Finance Leases
2021	$ 45,143	$ 5,849
2022	42,441	6,706
2023	36,879	6,227
2024	35,466	6,684
2025	28,758	6,479
Thereafter	84,440	69,687
Total future minimum rental commitments	273,127	101,632
Less – amounts representing interest	(34,998)	(41,077)
Total lease liabilities	$238,129	$ 60,555

As of January 3, 2021, the Company had additional leases for certain supply chain tractors and trailers that had not yet commenced with estimated future minimum rental commitments of approximately $2.0 million. These leases are expected to commence in 2021 with lease terms of up to 9 years. These undiscounted amounts are not included in the table above.

The Company has guaranteed lease payments related to certain franchisees' lease arrangements. The maximum amount of potential future payments under these guarantees was $12.6 million and $16.7 million as of January 3, 2021 and December 29, 2019, 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.

The components of the 2020, 2019 and 2018 consolidated provision for income taxes are as follows (in thousands):

	2020	2019	2018
Provision for Federal income taxes			
Current provision	$19,894	$49,539	$33,558
Deferred provision (benefit)	14,301	(2,862)	(1,543)
Total provision for Federal income taxes	34,195	46,677	32,015
Provision for state and local income taxes			
Current provision	10,775	15,335	12,651
Deferred provision (benefit)	123	(435)	671
Total provision for state and local income taxes	10,898	14,900	13,322
Provision for non-resident withholding and foreign income taxes	18,741	20,351	21,369
Provision for income taxes	$63,834	$81,928	$66,706

As of January 3, 2021 and December 29, 2019, the significant components of net deferred income taxes are as follows (in thousands):

	2020	2019
Deferred income tax assets		
Operating lease liabilities	$ 58,885	$ 58,546
Accruals and reserves	14,148	11,874
Insurance reserves	12,447	11,256
Non-cash equity-based compensation expense	8,331	10,357
Foreign tax credit	6,603	9,333
Other	7,720	6,980
Deferred income tax assets before valuation allowance	108,134	108,346
Less: Valuation allowance	(7,600)	(4,280)
Total deferred income tax assets	100,534	104,066
Deferred income tax liabilities		
Operating lease right-of-use assets	56,446	56,744
Depreciation, amortization and asset basis differences	18,687	9,919
Capitalized software	29,596	27,330
Total deferred income tax liabilities	104,729	93,993
Net deferred income taxes	$ (4,195)	$ 10,073

Prior period amounts in the table above have been reclassified to conform to the current year presentation.

Realization of the Company's deferred tax assets is dependent upon many factors, including, but not limited to, the Company's ability to generate sufficient taxable income. Although realization of the Company's deferred tax assets is not assured, on an ongoing basis, management assesses whether it remains more likely than not the deferred tax assets will be realized.

As of January 3, 2021, the Company had total foreign tax credits of $ 6.6 million, which is fully offset with a corresponding valuation allowance. As of January 3, 2021, the Company also had a $1.0 million valuation allowance related to interest deductibility in separately filed states. As of December 29, 2019, the Company had total foreign tax credits of $ 9.3 million, of which $5.6 million was carried back one year to be fully utilized. As of December 29, 2019, the Company had a total valuation allowance of $4.3 million, related to expected limitations on foreign tax credits and interest deductibility in separately filed states. Management believes the remaining deferred tax assets will be realized.

For financial reporting purposes, the Company's investment in foreign subsidiaries does not exceed its tax basis. Therefore, no deferred income taxes have been provided.

The Company recognizes the financial statement benefit of a tax position if it is more likely than not that the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authorities widely understood administrative practices and precedents. For tax positions meeting the "more likely than not" threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company recognizes accrued interest related to unrecognized tax benefits in interest expense and recognizes penalties in income tax expense.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	2020	2019	2018
Unrecognized tax benefits at beginning of period	$2,802	$1,964	$1,837
Additions for tax positions of current year	494	468	425
Additions for tax positions of prior years	506	789	115
Reductions for changes in prior year tax positions	(178)	(284)	(64)
Reductions for lapses of applicable statute of limitations	(306)	(135)	(349)
Unrecognized tax benefits at end of period	$3,318	$2,802	$1,964

Domino's Pizza, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

In the first quarter of 2021, the Company invested an additional $ 40.0 million in Dash Brands based on Dash Brands' achievement of certain performance conditions. In the first quarter of 2021, the Company recorded a positive adjustment of $2.5 million to the original carrying amount of $40.0 million resulting from the observable change in price from the valuation of the additional investment.

Domino's Pizza, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The Company recorded total non-cash compensation expense of $ 6.3 million, $ 4.0 million and $ 6.3 million in 2020, 2019 and 2018, respectively, related to stock option awards. As of January 3, 2021, there was $ 8.0 million of total unrecognized compensation cost related to unvested stock options granted under the 2004 Equity Incentive Plan which generally will be recognized on a straight-line basis over the related vesting period. This unrecognized compensation cost is expected to be recognized over a weighted average period of 2.4 years.

Management estimated the fair value of each option grant made during 2020, 2019 and 2018 as of the date of the grant using the Black-Scholes option pricing method. Weighted average assumptions are presented in the following table. The risk-free interest rate is based on the estimated effective life and is estimated based on U.S. Treasury Bond rates as of the grant date. The expected life is based on several factors, including, among other things, the vesting term and contractual term as well as historical experience. The expected volatility is based principally on the historical volatility of the Company's share price.

	2020	2019	2018
Risk-free interest rate	0.3%	1.9%	2.7%
Expected life (years)	5.5	5.5	5.5
Expected volatility	30.0%	25.0%	24.2%
Expected dividend yield	0.8%	0.9%	0.8%
Weighted average fair value per stock option	$105.76	$64.66	$67.65

Option valuation models require the input of highly subjective assumptions. In management's opinion, existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options, as changes in subjective input assumptions can significantly affect the fair value estimate.

Other Equity-Based Compensation Arrangements

The Company granted 3,630 shares, 3,780 shares and 3,790 shares of restricted stock in 2020, 2019 and 2018, respectively, to members of its Board of Directors. These grants generally vest one year from the date of the grant and have a fair value equal to the market price of the Company's stock on the grant date. These awards also contain provisions for accelerated vesting upon the retirement of holders that have achieved specific service and age requirements. The Company recorded total non-cash compensation expense of $1.2 million, $1.0 million and $0.8 million in 2020, 2019 and 2018, respectively, related to these restricted stock awards. As of January 3, 2021, there was $0.2 million of total unrecognized compensation cost related to these restricted stock grants.

In 2018, the Company granted 28,570 shares of restricted stock to two executives of the Company. These grants will vest four years from the date of the grant and have a fair value equal to the market price of the Company's stock on the grant date. These awards also contain provisions for accelerated vesting upon the retirement of holders that have achieved specific service and age requirements. The Company recorded total non-cash compensation expense of $2.1 million, $2.1 million and $1.1 million in 2020, 2019 and 2018 related to these restricted stock awards. As of January 3, 2021, there was $2.7 million of total unrecognized compensation cost related to these restricted stock grants.

The Company granted 39,150 shares, 63,790 shares and 59,070 shares of performance-based restricted stock in 2020, 2019 and 2018, respectively, to certain employees of the Company. These performance-based restricted stock awards are separated into four tranches and have time-based and performance-based vesting conditions with the last tranche vesting four years from the issuance date. These awards also contain provisions for accelerated vesting upon the retirement of holders that have achieved specific service and age requirements. These awards are considered granted for accounting purposes when the performance target is established, which is generally in the fourth quarter of each year. The Company recorded total non-cash compensation expense of $14.6 million, $13.2 million and $14.6 million in 2020, 2019 and 2018, respectively, related to these awards. As of January 3, 2021, there was an estimated $30.8 million of total unrecognized compensation cost related to performance-based restricted stock.

Domino's Pizza, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Restricted stock and performance-based restricted stock activity related to the 2004 Equity Incentive Plan is summarized as follows:

	Shares	Weighted Average Grant Date Fair Value (1)
Nonvested at December 31, 2017	194,604	$ 147.94
Shares granted	91,430	271.33
Shares cancelled	(12,692)	178.06
Shares vested	(82,963)	128.57
Nonvested at December 30, 2018	190,379	$ 213.57
Shares granted	67,570	275.06
Shares cancelled	(17,923)	230.60
Shares vested	(68,956)	175.84
Nonvested at December 29, 2019	171,070	$ 251.29
Shares granted	42,780	398.08
Shares cancelled	(8,345)	273.70
Shares vested	(58,743)	221.58
Nonvested at January 3, 2021	146,762	$ 304.69

(1) The weighted average grant date fair value for performance-based restricted shares granted was calculated based on the market price on the grant dates. Certain tranches will ultimately be valued when the performance condition is established for each tranche, which generally occurs in the fourth quarter of each fiscal year.

(11) Capital Structure

The Company's Board of Directors approved a $ 1.0 billion program to repurchase the Company's common stock during the fourth quarter of 2019. The Company's share repurchase programs have historically been funded by excess operating cash flows, excess proceeds from the Company's recapitalization transactions and borrowings under the Company's variable funding notes. The Company's policy is to recognize the difference between the purchase price and par value of the common stock in additional paid-in capital. In instances where there is no additional paid-in capital, the difference is recognized in retained deficit.

During 2020, 2019 and 2018, the Company repurchased 838,871 shares, 2,493,560 shares and 2,387,430 shares for approximately $304.6 million, $699.0 million and $591.2 million, respectively. At January 3, 2021, the Company had $ 101.6 million remaining under its $1.0 billion authorization. From January 4, 2021 through February 18, 2021, the Company repurchased and retired an additional 65,870 shares of common stock for approximately $25.0 million.

On February 24, 2021, the Company's Board of Directors authorized a new share repurchase program to repurchase up to $ 1.0 billion of the Company's common stock. This repurchase program replaces the remaining availability of approximately $76.6 million under the Company's previously approved $1.0 billion share repurchase program.

As of January 3, 2021, authorized common stock consists of 160,000,000 voting shares and 10,000,000 non-voting shares. The share components of outstanding common stock at January 3, 2021 and December 29, 2019 were as follows:

	2020	2019
Voting	38,865,160	38,930,646
Non-Voting	3,190	3,363
Total Common Stock	38,868,350	38,934,009

(12) Segment Information

The Company has three reportable segments: (i) U.S. stores; (ii) supply chain; and (iii) international franchise.

The Company's operations are organized by management on the combined basis of line of business and geography. The U.S. stores segment includes operations with respect to all franchised and Company-owned stores throughout the U.S. The supply chain segment primarily includes the distribution of food, equipment and supplies to stores from the Company's supply chain center operations in the U.S. and Canada. The international franchise segment primarily includes operations related to the Company's franchising business in foreign markets. The accounting policies of the reportable segments are the same as those described in Note 1. The Company evaluates the performance of its segments and allocates resources to them based on earnings before interest, taxes, depreciation, amortization and other, referred to as Segment Income.

The tables below summarize the financial information concerning the Company's reportable segments for fiscal 2020, 2019 and 2018. Intersegment revenues are comprised of sales of food, equipment and supplies from the supply chain segment to the Company-owned stores in the U.S. stores segment. Intersegment sales prices are market based. The "Other" column as it relates to Segment Income below primarily includes corporate administrative costs that are not allocable to a reportable segment, including labor, computer expenses, professional fees, travel and entertainment, rent, insurance and other corporate administrative costs. The "Other" column as it relates to capital expenditures primarily includes capitalized software, certain equipment and leasehold improvements for our corporate offices. Tabular amounts presented below are in thousands.

	U.S. Stores	Supply Chain	International Franchise	Intersegment Revenues	Other	Total
Revenues-						
2020	$1,451,003	$2,552,795	$ 249,757	$ (136,144)	—	$4,117,411
2019	1,272,863	2,231,838	240,975	(126,902)	—	3,618,774
2018	1,264,823	2,087,408	224,747	(144,111)	—	3,432,867
Segment Income-						
2020	$ 435,089	$ 238,420	$ 197,602	N/A	$(53,265)	$ 817,846

2019	361,673	199,844	187,318	N/A	(36,701)	712,134
2018	335,989	176,714	174,700	N/A	(43,462)	643,941
Capital Expenditures-						
2020	$ 15,319	$ 36,229	—	N/A	$ 35,371	$ 86,919
2019	11,793	33,440	131	N/A	43,304	88,668
2018	15,717	61,652	134	N/A	42,171	119,674

The following table reconciles total Segment Income to income before provision for income taxes (in thousands):

	2020	2019	2018
Total Segment Income	$ 817,846	$ 712,134	$ 643,941
Depreciation and amortization	(65,038)	(59,930)	(53,665)
(Loss) gain on sale/disposal of assets	(2,922)	(2,023)	4,737
Non-cash equity-based compensation expense	(24,244)	(20,265)	(22,792)
Recapitalization-related expenses	—	(509)	(532)
Income from operations	725,642	629,407	571,689
Interest income	1,654	4,048	3,334
Interest expense	(172,166)	(150,818)	(146,345)
Income before provision for income taxes	$ 555,130	$ 482,637	$ 428,678

The following table summarizes the Company's identifiable asset information as of January 3, 2021 and December 29, 2019 (in thousands):

	2020	2019
U.S. stores	$ 308,088	$ 251,844
U.S. supply chain	488,983	408,919
Total U.S. assets	797,071	660,763
International franchise	41,408	23,396
International supply chain	31,060	35,745
Total international assets	72,468	59,141
Unallocated	697,629	662,188
Total assets	$1,567,168	$1,382,092

Unallocated assets primarily include cash and cash equivalents, restricted cash and cash equivalents, certain accounts receivable and prepaid expenses, investments in equity securities without readily determinable fair values and marketable securities, certain long-lived assets including certain property, plant and equipment and the operating lease right-of-use asset for the Company's corporate headquarters and deferred income taxes.

The following table summarizes the Company's goodwill balance as of January 3, 2021 and December 29, 2019 (in thousands):

	2020	2019
U.S. stores	$13,994	$14,026
Supply chain	1,067	1,067
Consolidated goodwill	$15,061	$15,093

(13) Company-owned Store Transactions

During 2019, the Company sold 62 U.S. Company-owned stores to certain of its existing U.S. franchisees for proceeds of $12.3 million. In connection with the sale of the stores, the Company recorded a $0.3 million pre-tax loss on the sale of the related assets and liabilities, which was net of a $1.5 million reduction in goodwill. The net loss on these store sales was recorded in general and administrative expense in the Company's consolidated statements of income. During 2019, the Company also purchased three U.S. franchised stores from a U.S. franchisee for $3.4 million, which included $1.7 million of goodwill, $1.3 million of intangibles and $0.4 million of leasehold improvements and other assets.

During 2018, the Company sold 12 U.S. Company-owned stores to a former executive of the Company for proceeds of $ 7.9 million. The former executive terminated his employment with the Company prior to the closing date of the sale and became a franchisee. In connection with the sale of the stores, the Company recorded a $5.9 million pre-tax gain on the sale of the related assets, which was net of a $ 0.4 million reduction in goodwill. During 2018, the Company also sold two U.S. Company-owned stores to a franchisee for proceeds of $ 0.3 million. In connection with the sale of the stores, the Company recorded a pre-tax gain of less than $ 0.1 million on the sale of the related assets, which was net of a $0.1 million reduction in goodwill. The gains on these sales were recorded in general and administrative expense in the Company's consolidated statements of income.

(14) COVID-19 Pandemic

In December 2019, the COVID-19 disease was reported and in January 2020, the World Health Organization ("WHO") declared it a Public Health Emergency of International Concern. On February 28, 2020, the WHO raised its assessment of the COVID-19 threat from high to very high at a global level due to the continued increase in the number of cases and affected countries, and on March 11, 2020, the WHO characterized COVID-19 as a pandemic. During 2020 in the midst of the COVID-19 pandemic, the Company continued to increase its U.S.

stores revenues. U.S. supply chain experienced higher volumes as a result of the increases in U.S. store sales. The COVID-19 pandemic negatively impacted the Company's international franchise revenues during the second quarter of 2020 due to temporary store closures in certain markets as well as changes in operating procedures and store hours resulting from actions taken to increase social distancing across the Company's international franchise markets. In the third and fourth quarters of 2020, these negative impacts lessened due to the reopening and resumption of normal store hours at a majority of the Company's international franchised stores that had been temporarily closed for portions of the second quarter. The Company made certain investments during the COVID-19 pandemic related to safety and cleaning equipment, enhanced sick pay and compensation for frontline team members and support for the Company's franchisees and their communities. Finally, given the market uncertainty arising from COVID-19, the Company took a precautionary measure and borrowed $158.0 million under its 2019 Variable Funding Notes during the second quarter of 2020, which was fully repaid throughout the remainder of 2020. The Company is closely monitoring the impact of the pandemic on all aspects of its business and is unable at this time to predict the continued impact that COVID-19 will have on its business, financial position and operating results in future periods due to numerous uncertainties.

10.6	Eighth Amendment to a Lease Agreement between Domino's Farms Office Park, L.L.C. and Domino's Pizza LLC, dated as of November 4, 2016 (Incorporated by reference to Exhibit 10.6 to the 2016 10-K).
10.7	Ninth Amendment to a Lease Agreement between Domino's Farms Office Park, L.L.C. and Domino's Pizza LLC, dated as of February 16, 2017 (Incorporated by reference to Exhibit 10.7 to the 2016 10-K).
10.8	Tenth Amendment to a Lease Agreement between Domino's Farms Office Park, L.L.C. and Domino's Pizza LLC, dated as of November 7, 2017 (Incorporated by reference to Exhibit 10.8 to the registrant's annual report on Form 10-K for the year ended December 31, 2017).
10.9	Eleventh Amendment to a Lease Agreement between Domino's Farms Office Park, L.L.C. and Domino's Pizza LLC, dated as of July 13, 2018 (Incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the quarter ended September 9, 2018 (the "September 2018 10-Q")).
10.10	Twelfth Amendment to a Lease Agreement between Domino's Farms Office Park, L.L.C. and Domino's Pizza LLC, dated as of July 13, 2018 (Incorporated by reference to Exhibit 10.2 to the September 2018 10-Q).
10.11	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 (Incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the quarter ended June 16, 2019 (the "June 2019 10-Q")).
10.12	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 (Incorporated by reference to Exhibit 10.1 to the June 2019 10-Q).
10.13*	Domino's Pizza, Inc. Deferred Compensation Plan adopted effective January 1, 2005 (Incorporated by reference to Exhibit 10.9 to the registrant's annual report on Form 10-K for the year ended January 1, 2006).
10.14*	First Amendment to the Domino's Pizza Deferred Compensation Plan effective January 1, 2007 (Incorporated by reference to Exhibit 10.9 to the registrant's annual report on Form 10-K for the year ended December 31, 2006).
10.15*	Second Amendment to the Domino's Pizza Deferred Compensation Plan effective February 8, 2013 (Incorporated by reference to Exhibit 10.5 to the 2012 10-K).
10.16*	Amended Domino's Pizza, Inc. 2004 Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the quarter ended March 22, 2009 (the "March 2009 10-Q")).
10.17*	Form of Employee Stock Option Agreement under the Amended Domino's Pizza, Inc. 2004 Equity Incentive Plan (Incorporated by reference to Exhibit 10.8 to the 2012 10-K).
10.18*	Form of 2013 Special Employee Stock Option Agreement under the Amended Domino's Pizza, Inc. 2004 Equity Incentive Plan (Incorporated by reference to Exhibit 10.9 to the 2012 10-K).
10.19*	Form of Director Stock Option Agreement under the Amended Domino's Pizza, Inc. 2004 Equity Incentive Plan (Incorporated by reference to Exhibit 10.3 to the March 2009 10-Q).
10.20*	Form of Amendment to Existing Director Stock Option Grants (Incorporated by reference to Exhibit 10.5 to the March 2009 10-Q).
10.21*	Form of Performance-Based Restricted Stock Agreement (Incorporated by reference to Exhibit 10.12 to the 2012 10-K).
10.22*	Form of 2013 Special Performance-Based Restricted Stock Agreement (Incorporated by reference to Exhibit 10.13 to the 2012 10-K).

10.23*	Form of Performance-Based Restricted Stock Unit Award Agreement (Incorporated by reference to Exhibit 10.14 to the 2012 10-K).
10.24*	Form of 2013 Special Performance-Based Restricted Stock Unit Award Agreement (Incorporated by reference to Exhibit 10.15 to the 2012 10-K).
10.25*	Form of Domino's Pizza, Inc. 2004 Equity Incentive Plan Restricted Stock Agreement for Directors (Incorporated by reference to Exhibit 10.19 to the registrant's annual report on Form 10-K for the year ended January 3, 2010).
10.26*	Amended and Restated Domino's Pizza Senior Executive Annual Incentive Plan (Incorporated by reference to Exhibit 10.20 to the registrant's annual report on Form 10-K for the year ended January 2, 2011).
10.27*	Amended and Restated Domino's Pizza, Inc. Employee Stock Payroll Deduction Plan (Incorporated by reference to Exhibit 10.18 to the registrant's annual report on Form 10-K for the year ended December 29, 2013).

10.28*	First Amendment to the Amended and Restated Domino's Pizza, Inc. Employee Stock Payroll Deduction Plan Dated as of January 1, 2019 (Incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the quarter ended March 24, 2019).
10.29*	Form of Domino's Pizza, Inc. Dividend Reinvestment & Direct Stock Purchase and Sale Plan (Incorporated by reference to Exhibit 10.32 to the S-1).
10.30*	Form of 2018 Restricted Stock Agreement (Incorporated by reference to Exhibit 10.4 to the registrant's current report on Form 8-K filed on January 11, 2018 (the "January 2018 8-K")).
10.31*	Employment Agreement dated as of August 28, 2015 between Domino's Pizza LLC and Jeffrey Lawrence (Incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the quarter ended September 6, 2015).
10.32*	Employment Agreement dated as of September 2, 2008 between Domino's Pizza LLC and Russell J. Weiner (Incorporated by reference to Exhibit 1.01 to the registrant's current report on Form 8-K filed on September 4, 2008).
10.33*	Amendment to the Employment agreement dated as of September 2, 2008 between Domino's Pizza LLC and Russell J. Weiner (Incorporated by reference to Exhibit 10.4 to the registrant's current report on Form 8-K filed on December 24, 2008).
10.34*	Amendment to the Employment Agreement dated as of July 26, 2010 between Domino's Pizza LLC and Russell J. Weiner (Incorporated by reference to Exhibit 10.3 to the registrant's quarterly report on Form 10-Q for the quarter ended June 20, 2010).
10.35*	Employment Agreement dated as of January 8, 2018 between Domino's Pizza, Inc., Domino's Pizza LLC and Russell J. Weiner (Incorporated by reference to Exhibit 10.2 to the January 2018 8-K).
10.36*	Employment Agreement dated as of March 14, 2011 between Domino's Pizza LLC and Richard E. Allison, Jr. (Incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the quarter ended March 27, 2011).
10.37*	Employment Agreement dated as of January 8, 2018 between Domino's Pizza, Inc., Domino's Pizza LLC and Richard E. Allison, Jr. (Incorporated by reference to Exhibit 10.1 to the January 2018 8-K).
10.38*	Time Sharing Agreement dated as of January 8, 2018 between Domino's Pizza LLC and Richard E. Allison, Jr. (Incorporated by reference to Exhibit 10.3 to the January 2018 8-K).
10.39*	Addendum to Amended and Restated Employment Agreement dated as of June 22, 2018 between Domino's Pizza LLC and David A. Brandon (Incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the quarter ended June 17, 2018).

10.40*	Addendum to Amended and Restated Employment Agreement dated as of December 29, 2018 between Domino's Pizza LLC and David A. Brandon (Incorporated by reference to Exhibit 10.39 to the registrant's annual report on Form 10-K for the year ended December 30, 2018 (the "2018 10-K")).
10.41*	Addendum to Amended and Restated Employment Agreement dated as of January 30, 2020 between Domino's Pizza LLC and David A. Brandon (Incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the quarter ended March 22, 2020).
10.42*	Employment Agreement dated as of February 11, 2012 between Domino's Pizza LLC and J. Kevin Vasconi (Incorporated by reference to Exhibit 10.39 to the 2018 10-K).
10.43*	Separation Agreement dated as of October 2, 2020 between Domino's Pizza LLC and J. Kevin Vasconi.
10.44*	Employment Agreement dated as of April 9, 2018 between Domino's Pizza LLC and Joseph H. Jordan (Incorporated by reference to Exhibit 10.39 to the 2018 10-K).
10.45*	Employment Agreement effective as of August 20, 2020 between Domino's Pizza LLC and Stuart A. Levy (Incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the quarter ended September 6, 2020).
10.46	Form of Indemnification Agreement between the Company and its officers and directors (Incorporated by reference to Exhibit 10.33 to the S-1).
10.47	Amended and Restated Base Indenture dated March 15, 2012 among Domino's Pizza Master Issuer LLC, Domino's Pizza Distribution LLC, Domino's IP Holder LLC and Domino's SPV Canadian Holding Company Inc., each as Co-Issuer, and Citibank, N.A., as Trustee and Securities Intermediary (Incorporated by reference to Exhibit 4.1 to the registrant's current report on Form 8-K filed on March 19, 2012 (the "March 2012 8-K")).
10.48	First Supplement dated as of September 16, 2013 to the Amended and Restated Base Indenture dated as of March 15, 2012 (Incorporated by reference to Exhibit 4.1 to the registrant's current report on Form 8-K filed on October 22, 2015 (the "October 2015 8-K")).
10.49	Second Supplement dated as of October 21, 2015 to the Amended and Restated Base Indenture dated as of March 15, 2012 (Incorporated by reference to Exhibit 4.2 to the October 2015 8-K).
10.50	Third Supplement dated as of October 21, 2015 to the Amended and Restated Base Indenture dated as of March 15, 2012 (Incorporated by reference to Exhibit 4.3 to the October 2015 8-K).
10.51	Fourth Supplement dated as of July 24, 2017 to the Amended and Restated Base Indenture dated as of March 15, 2012 by and among Domino's Pizza Master Issuer LLC, Domino's SPV Canadian Holding Company Inc., Domino's Pizza Distribution LLC and Domino's IP Holder LLC, each as Co-Issuer, and Citibank, N.A., as Trustee and Securities Intermediary (Incorporated by reference to Exhibit 4.1 to the Domino's Pizza, Inc. Current Report on Form 8-K, filed on July 25, 2017 (the "July 2017 8-K")).
10.52	Fifth Supplement dated as of November 21, 2018 to the Amended and Restated Base Indenture dated as of March 15, 2012 by and among Domino's Pizza Master Issuer LLC, Domino's SPV Canadian Holding Company Inc., Domino's Pizza Distribution LLC and Domino's IP Holder LLC, each as Co-Issuer, and Citibank, N.A., as Trustee and Securities Intermediary (Incorporated by reference to Exhibit 10.49 to the 2019 10-K).

10.53	Series 2015-1 Supplement dated as of October 21, 2015 to the Amended and Restated Base Indenture dated March 15, 2012 among Domino's Pizza Master Issuer LLC, Domino's Pizza Distribution LLC, Domino's IP Holder LLC and Domino's SPV Canadian Holding Company Inc., each as a Co-Issuer of the Series 2015-1 3.484% Fixed Rate Senior Secured Notes, Class A-2-I, the Series 2015-1 4.474% Fixed Rate Senior Secured Notes, Class A-2-II and the Series 2015-1 Variable Funding Senior Notes, Class A-1, and Citibank, N.A., as Trustee and Series 2015-1 Securities Intermediary (Incorporated by reference to Exhibit 4.4 to the October 2015 8-K).

10.54	Series 2017-1 Supplement dated as of July 24, 2017 by and among Domino's Pizza Master Issuer LLC, Domino's SPV Canadian Holding Company Inc., Domino's Pizza Distribution LLC and Domino's IP Holder LLC, each as Co-Issuer, and Citibank, N.A., as Trustee, Series 2017-1 Securities Intermediary and Calculation Agent (Incorporated by reference to Exhibit 4.2 to the July 2017 8-K).
10.55	Supplemental Indenture, dated as of April 24, 2018, among Domino's Pizza Master Issuer LLC, Domino's SPV Canadian Holding Company Inc., Domino's Pizza Distribution LLC and Domino's IP Holder LLC, each as Co-Issuer of Series 2018-1 4.116% Fixed Rate Senior Secured Notes, Class A-2-I and Series 2018-1 4.328% Fixed Rate Senior Secured Notes, Class A-2-II, and Citibank, N.A., as Trustee and Securities Intermediary (Incorporated by reference to Exhibit 4.1 to the registrant's current report on Form 8-K filed on April 25, 2018 (the "April 2018 8-K")).
10.56	Supplemental Indenture, dated November 19, 2019, among Domino's Pizza Master Issuer LLC, Domino's SPV Canadian Holding Company Inc., Domino's Pizza Distribution LLC and Domino's IP Holder LLC, each as Co-Issuer of Series 2019-1 3.668% Fixed Rate Senior Secured Notes, Class A-2, and Citibank, N.A., as Trustee and Securities Intermediary (Incorporated by reference to Exhibit 4.1 to the registrant's current report on Form 8-K filed on November 19, 2019 (the "November 2019 8-K")).
10.57	Purchase Agreement dated as of October 14, 2015 among Domino's Pizza Master Issuer LLC, Domino's IP Holder LLC, Domino's Pizza Distribution LLC and Domino's SPV Canadian Holding Company Inc. for the Series 2015-1 3.484% Fixed Rate Senior Secured Notes, Class A-2-I and the Series 2015-1 4.474% Fixed Rate Senior Secured Notes, Class A-2-II (Incorporated by reference to Exhibit 10.1 to the October 2015 8-K).
10.58	Purchase Agreement dated as of June 12, 2017 among Domino's Pizza Master Issuer LLC, Domino's SPV Canadian Holding Company Inc., Domino's Pizza Distribution LLC and Domino's IP Holder LLC, each as Co-Issuer, Domino's SPV Guarantor LLC, Domino's Pizza Franchising LLC, Domino's Pizza International Franchising Inc., Domino's Pizza Canadian Distribution ULC, Domino's RE LLC and Domino's EQ LLC, each as Guarantor, Domino's Pizza LLC, as manager, Domino's Pizza, Inc. and Domino's Inc., as parent companies, and Guggenheim Securities, LLC and Barclays Capital Inc., as initial purchasers (Incorporated by reference to Exhibit 10.1 to the Domino's Pizza, Inc. Current Report on Form 8-K, filed on June 14, 2017).
10.59	Purchase Agreement, dated April 18, 2018, by and among Domino's Pizza Master Issuer LLC, Domino's SPV Canadian Holding Company Inc., Domino's Pizza Distribution LLC, Domino's IP Holder LLC, Domino's Pizza, Inc., Domino's Pizza LLC, Domino's, Inc., the guarantors party thereto and Guggenheim Securities, LLC, as representative of the initial purchasers named in Schedule I thereto (Incorporated by reference to Exhibit 1.1 to the April 2018 8-K).
10.60	Purchase Agreement, dated November 6, 2019, among Domino's Pizza Master Issuer LLC, Domino's SPV Canadian Holding Company Inc., Domino's Pizza Distribution LLC and Domino's IP Holder LLC, each as Co-Issuer, Domino's SPV Guarantor LLC, Domino's Pizza Franchising LLC, Domino's Pizza International Franchising Inc., Domino's Pizza Canadian Distribution ULC, Domino's RE LLC and Domino's EQ LLC, each as Guarantor, Domino's Pizza LLC, as manager, the Company and Domino's Inc., as parent companies, and Guggenheim Securities, LLC and Barclays Capital Inc., as initial purchasers (Incorporated by reference to Exhibit 99.1 to the Domino's Pizza, Inc. Current Report on Form 8-K, filed on November 7, 2019).
10.61	Class A-1 Note Purchase Agreement, dated November 19, 2019, among Domino's Pizza Master Issuer LLC, Domino's SPV Canadian Holding Company Inc., Domino's Pizza Distribution LLC and Domino's IP Holder LLC, each as Co-Issuer, Domino's SPV Guarantor LLC, Domino's Pizza Franchising LLC, Domino's Pizza International Franchising Inc., Domino's Pizza Canadian Distribution ULC, Domino's RE LLC and Domino's EQ LLC, each as Guarantor, Domino's Pizza LLC, as manager, certain conduit investors, financial institutions and funding agents, and Coöperatieve Rabobank U.A., New York Branch, as provider of letters of credit, as swingline lender and as administrative agent (Incorporated by reference to Exhibit 10.1 to the November 2019 8-K).
10.62	Amended and Restated Guarantee and Collateral Agreement dated as of March 15, 2012 among Domino's SPV Guarantor LLC, Domino's Pizza Franchising LLC, Domino's Pizza International Franchising Inc., Domino's Pizza Canadian Distribution ULC, Domino's RE LLC and Domino's EQ LLC, each as a Guarantor, in favor of Citibank, N.A., as Trustee (Incorporated by reference to Exhibit 10.2 to the March 2012 8-K).

10.63	Amended and Restated Management Agreement dated as of March 15, 2012 among Domino's Pizza Master Issuer LLC, certain subsidiaries of Domino's Pizza Master Issuer LLC party thereto, Domino's Pizza LLC, as Manager and in its individual capacity, Domino's Pizza NS Co., and Citibank, N.A. as Trustee (Incorporated by reference to Exhibit 10.3 to the March 2012 8-K).
10.64	Amendment No. 1 dated as of October 21, 2015 to the Amended and Restated Management Agreement dated as of March 15, 2012 among Domino's Pizza Master Issuer LLC, certain subsidiaries of Domino's Pizza Master Issuer LLC party thereto, Domino's Pizza LLC, as Manager and in its individual capacity, Domino's Pizza NS Co., and Citibank, N.A. as Trustee (Incorporated by reference to Exhibit 10.3 to the October 2015 8-K).
10.65	Amendment No. 2 dated as of July 24, 2017 to the Amended and Restated Management Agreement dated as of March 15, 2012 by and among Domino's Pizza Master Issuer LLC, certain subsidiaries of Domino's Pizza Master Issuer LLC party thereto, Domino's SPV Guarantor LLC, Domino's Pizza LLC, as manager and in its individual capacity, Domino's Pizza NS Co., and Citibank, N.A., as Trustee (Incorporated by reference to Exhibit 10.1 to the July 2017 8-K)).
10.66	Parent Company Support Agreement dated as of March 15, 2012 made by Domino's Pizza, Inc. in favor of Citibank, N.A., as Trustee (Incorporated by reference to Exhibit 10.4 to the October 2015 8-K).

10.67	Amendment No. 1 dated as of October 21, 2015 to the Parent Company Support Agreement dated as of March 15, 2012 made by Domino's Pizza, Inc. in favor of Citibank, N.A., as Trustee (Incorporated by reference to Exhibit 10.5 to the October 2015 8-K).
10.68	Omnibus Amendment No. 1, dated December 15, 2017, among Domino's Pizza Master Issuer LLC, Domino's SPV Canadian Holding Company Inc., Domino's Pizza Distribution LLC and Domino's IP Holder LLC, each as Co-Issuer, Domino's SPV Guarantor LLC, Domino's Pizza Franchising LLC, Domino's Pizza International Franchising Inc., Domino's Pizza Canadian Distribution ULC, Domino's RE LLC and Domino's EQ LLC, each as Guarantor, Domino's Pizza LLC, as manager, certain conduit investors, financial institutions and funding agents, and Coöperatieve Rabobank U.A., New York Branch, as provider of letters of credit, as swingline lender and as administrative agent (Incorporated by reference to Exhibit 10.1 to the Domino's Pizza, Inc. Current Report on Form 8-K, filed on December 19, 2017).
10.69	Agreement dated as of January 6, 2009 between Domino's Pizza, Inc., Blue Harbour Strategic Value Partners Master Fund, LP and Blue Harbour Institutional Partners Master Fund, L.P. (Incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed on January 9, 2009).
10.70	Board of Directors' Compensation.
21.1	Subsidiaries of Domino's Pizza, Inc.
23.1	Consent of PricewaterhouseCoopers LLP.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.
32.1	Certification of Chief Executive Officer 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 of Chief Financial Officer pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, relating to Domino's Pizza, Inc.
101.INS	XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.

101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover page Interactive Data File (formatted as Inline XBRL and contained in exhibit 101).

* A management contract or compensatory plan or arrangement required to be filed as an exhibit to this report pursuant to Item 15(b) of Form 10-K.

SCHEDULE I – CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT

Domino's Pizza, Inc.
PARENT COMPANY CONDENSED BALANCE SHEETS
(In thousands, except share and per share amounts)

	January 3, 2021	December 29, 2019
ASSETS		
ASSETS:		
Cash	$ 6	$ 6
Total assets	$ 6	$ 6
LIABILITIES AND STOCKHOLDERS' DEFICIT		
LIABILITIES:		
Equity in net deficit of subsidiaries	$ 3,300,405	$ 3,415,759
Due to subsidiary	6	6
Total liabilities	3,300,411	3,415,765
STOCKHOLDERS' DEFICIT:		
Common stock, par value $0.01 per share; 170,000,000 shares authorized; 38,868,350 in 2020 and 38,934,009 in 2019 issued and outstanding	389	389
Preferred stock, par value $0.01 per share; 5,000,000 shares authorized, none issued	—	—
Additional paid-in capital	5,122	243
Retained deficit	(3,303,492)	(3,412,649)
Accumulated other comprehensive loss	(2,424)	(3,742)
Total stockholders' deficit	(3,300,405)	(3,415,759)
Total liabilities and stockholders' deficit	$ 6	$ 6

See accompanying notes to the Schedule I.

Domino's Pizza, Inc.
PARENT COMPANY CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except share and per share amounts)

	For the Years Ended		
	January 3, 2021	December 29, 2019	December 30, 2018
REVENUES	$ —	$ —	$ —
Total revenues	—	—	—
OPERATING EXPENSES	—	—	—
Total operating expenses	—	—	—
INCOME FROM OPERATIONS	—	—	—
Equity earnings in subsidiaries	491,296	400,709	361,972
INCOME BEFORE PROVISION FOR INCOME TAXES	491,296	400,709	361,972
PROVISION FOR INCOME TAXES	—	—	—
NET INCOME	$491,296	$ 400,709	$ 361,972
COMPREHENSIVE INCOME	$492,614	$ 401,396	$ 359,924
EARNINGS PER SHARE:			
Common Stock – basic	$ 12.61	$ 9.83	$ 8.65
Common Stock – diluted	$ 12.39	$ 9.56	$ 8.35

See accompanying notes to the Schedule I.

Domino's Pizza, Inc.
PARENT COMPANY CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Years Ended		
	January 3, 2021	December 29, 2019	December 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net cash provided by operating activities	$ 402,348	$ 421,661	$ 382,716
CASH FLOWS FROM INVESTING ACTIVITIES:			
Dividends from subsidiaries	—	375,948	297,792
Net cash provided by investing activities	—	375,948	297,792
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments of common stock dividends and equivalents	(121,925)	(105,715)	(92,166)
Purchases of common stock	(304,590)	(699,007)	(591,212)
Other	24,167	7,113	2,870
Net cash used in financing activities	(402,348)	(797,609)	(680,508)
CHANGE IN CASH	—	—	—
CASH, AT BEGINNING OF PERIOD	6	6	6
CASH, AT END OF PERIOD	$ 6	$ 6	$ 6

See accompanying notes to the Schedule I.

Domino's Pizza, Inc.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

(1) Introduction and Basis of Presentation

Domino's Pizza, Inc., on a stand-alone basis, (the "Parent Company") has accounted for majority-owned subsidiaries using the equity method of accounting. The accompanying condensed financial statements of the Parent Company should be read in conjunction with the consolidated financial statements of Domino's Pizza, Inc. and its subsidiaries (the "Company") and the notes thereto included in Item 8 of this Form 10-K. These financial statements have been provided to comply with Rule 4-08(e) of Regulation S-X.

Use of Estimates

The use of estimates is inherent in the preparation of financial statements in accordance with generally accepted accounting principles. Actual results could differ from those estimates.

New Accounting Pronouncements

The Company has adopted the below new accounting pronouncements that impacted the Parent Company financial statements.

Accounting Standards Update ("ASU") 2016-13, Financial Instruments – Credit Losses (Topic 326)

In June 2016, the Financial Accounting Standards Board ("FASB") issued *ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASC 326"). ASC 326 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. On December 30, 2019, the Company adopted ASC 326 using the modified retrospective method.

The Parent Company recorded a $1.1 million adjustment to equity in net deficit of subsidiaries and recorded a $1.1 million adjustment to retained deficit related to this new accounting standard in 2020. See Note 1 to the Company's consolidated financial statements as filed in this Form 10-K for additional information related to the adoption of this new accounting standard.

ASU 2014-09, Revenue from Contracts with Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and has since issued various amendments which provide additional clarification and implementation guidance. This standard has been codified as ASC 606. This guidance outlines a single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and superseded most revenue recognition guidance issued by the FASB, including industry specific guidance. On January 1, 2018, the Company adopted ASC 606 using the modified retrospective method.

The Parent Company recorded a $6.7 million adjustment to equity in net deficit of subsidiaries and recorded a $ 6.7 million adjustment to retained deficit related to this new accounting standard in 2018. See Note 1 to the Company's consolidated financial statements as filed in this Form 10-K for additional information related to the adoption of this new accounting standard.

ASU 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220)

In February 2018, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The amendments in this updated standard allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. The Parent Company adopted this standard in 2018 and, as a result, recorded a $0.4 million reclassification from accumulated other comprehensive loss to the beginning balance of retained deficit in 2018.

(2) Supplemental Disclosures of Cash Flow Information

During 2020, 2019 and 2018, the Parent Company received dividends from its subsidiaries primarily consisting of amounts received to pay dividends and repurchase common stock in connection with the Company's recapitalization transactions. See Note 4 to the Company's consolidated financial statements as filed in this Form 10-K for a description of these recapitalization transactions. In 2019 and 2018, the amount of dividends received was in excess of current year equity in earnings from its subsidiaries, and thus a portion of these dividends was considered to be a return of Investment and is classified as a cash inflow from investing activities.

Item 16. Form 10-K Summary.

Not applicable**.**

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

DOMINO'S PIZZA, INC.

/s/ Stuart A. Levy
Stuart A. Levy
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)
February 25, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrants and in the capacities and on the dates indicated.

/s/ Richard E. Allison, Jr. Richard E. Allison, Jr. February 25, 2021	Chief Executive Officer and Director (Principal Executive Officer)
/s/ Stuart A. Levy Stuart A. Levy February 25, 2021	Executive Vice President, Chief Financial Officer (Principal Financial Officer)
/s/ Jessica L. Parrish Jessica L. Parrish February 25, 2021	Vice President, Corporate Controller
/s/ David A. Brandon David A. Brandon February 25, 2021	Chairman of the Board of Directors
/s/ C. Andrew Ballard C. Andrew Ballard February 25, 2021	Director
/s/ Andrew B. Balson Andrew B. Balson February 25, 2021	Director
/s/ Corie S. Barry Corie S. Barry February 25, 2021	Director
/s/ Diana F. Cantor	

Diana F. Cantor February 25, 2021	Director
/s/ Richard L. Federico	
Richard L. Federico February 25, 2021	Director
/s/ James A. Goldman	
James A. Goldman February 25, 2021	Director
/s/ Patricia E. Lopez	
Patricia E. Lopez February 25, 2021	Director