



Domino's Pizza, Inc. (DPZ)

Updated February 25th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	\$456	5 Year CAGR Estimate:	9.5%	Market Cap:	\$16.0 B
Fair Value Price:	\$438	5 Year Growth Estimate:	9.0%	Ex-Dividend Date:	3/14/2025
% Fair Value:	104%	5 Year Valuation Multiple Estimate:	-0.8%	Dividend Payment Date:	3/28/2025
Dividend Yield:	1.5%	5 Year Price Target	\$673	Years Of Dividend Growth:	12
Dividend Risk Score:	B	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

Domino's Pizza was founded in 1960. It is the largest pizza company in the world based on global retail sales. The company operates more than 21,000 stores in more than 90 countries. It generates nearly half of its sales in the U.S. while 99% of its stores worldwide are owned by independent franchisees. It has a market capitalization of \$16.0 billion.

Domino's proved to be one of the most resilient companies to the pandemic. Due to the lockdowns imposed in this crisis, the company faced a steep increase in its delivery orders. Domino's has also benefited from its leading position in digital orders. Its resilience to the pandemic is clearly reflected in its record earnings-per-share in 2020 and 2021.

In late February, Domino's reported (2/24/25) financial results for the fourth quarter of fiscal 2024. Its U.S. same-store sales grew 0.4% and its international same-store sales rose 2.7% over the prior year's quarter. Earnings-per-share grew 9%, from \$4.48 to \$4.89, thanks to higher sales and lower selling costs. Earnings-per-share missed the analysts' consensus by \$0.01, for the first time after 8 consecutive quarters of wide earnings beats. That's why the stock initially plunged after the earnings release, though it retrieved most of its losses until the end of the session. Domino's still expects to grow its global retail sales and its operating income by 7% and 8% per year, respectively, until the end of 2028. Domino's has exhibited business deceleration in some instances in the past but it has always returned to growth mode. We reaffirm our confidence in the bright future prospects of this best-of-breed stock.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$3.47	\$4.30	\$5.91	\$8.42	\$9.57	\$12.01	\$13.60	\$12.53	\$14.66	\$16.69	\$17.50	\$26.93
DPS	\$1.24	\$1.52	\$1.84	\$2.20	\$2.60	\$3.12	\$3.76	\$4.40	\$4.84	\$6.04	\$6.96	\$10.72
Shares¹	49.8	48.1	44.6	42.6	41.4	39.5	36.7	36.1	35.1	34.7	34.5	31.0

Despite heating competition in the U.S., the growth potential of Domino's is exciting, as the pizza chain has ample room to keep growing for years. Its management sees potential for the addition of more than 10,000 new stores in its top 15 markets. As the current store count in these countries is approximately 11,000, it is evident that there is still tremendous growth potential even without taking into account the growth potential in the other ~75 markets where the company is present. Domino's has provided a bright outlook for the period 2024-2028. It expects to grow its global retail sales and its operating income by 7% and 8% per year, respectively. Given also an expected tailwind from share repurchases and the exceptional record of Domino's in exceeding expectations, we expect 9% annual earnings-per-share growth over the next five years, roughly in line with the 4-year average of the stock.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	30.7	32.2	31.9	30.2	27.6	30.6	33.3	30.6	24.0	27.6	26.1	25.0
Avg. Yld.	1.2%	1.1%	1.0%	0.9%	1.0%	0.8%	0.8%	1.1%	1.4%	1.3%	1.5%	1.6%

¹ In millions

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Domino's is currently trading at a price-to-earnings ratio of 26.1, which is lower than its 10-year average of 29.9. Due to business deceleration, we assume a fair earnings multiple of 25.0 for the stock. If Domino's trades at its fair valuation level in five years, it will incur a -0.8% annualized drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	35.7%	35.3%	31.1%	26.1%	27.2%	26.0%	27.6%	35.1%	33.0%	36.2%	39.8%	39.8%

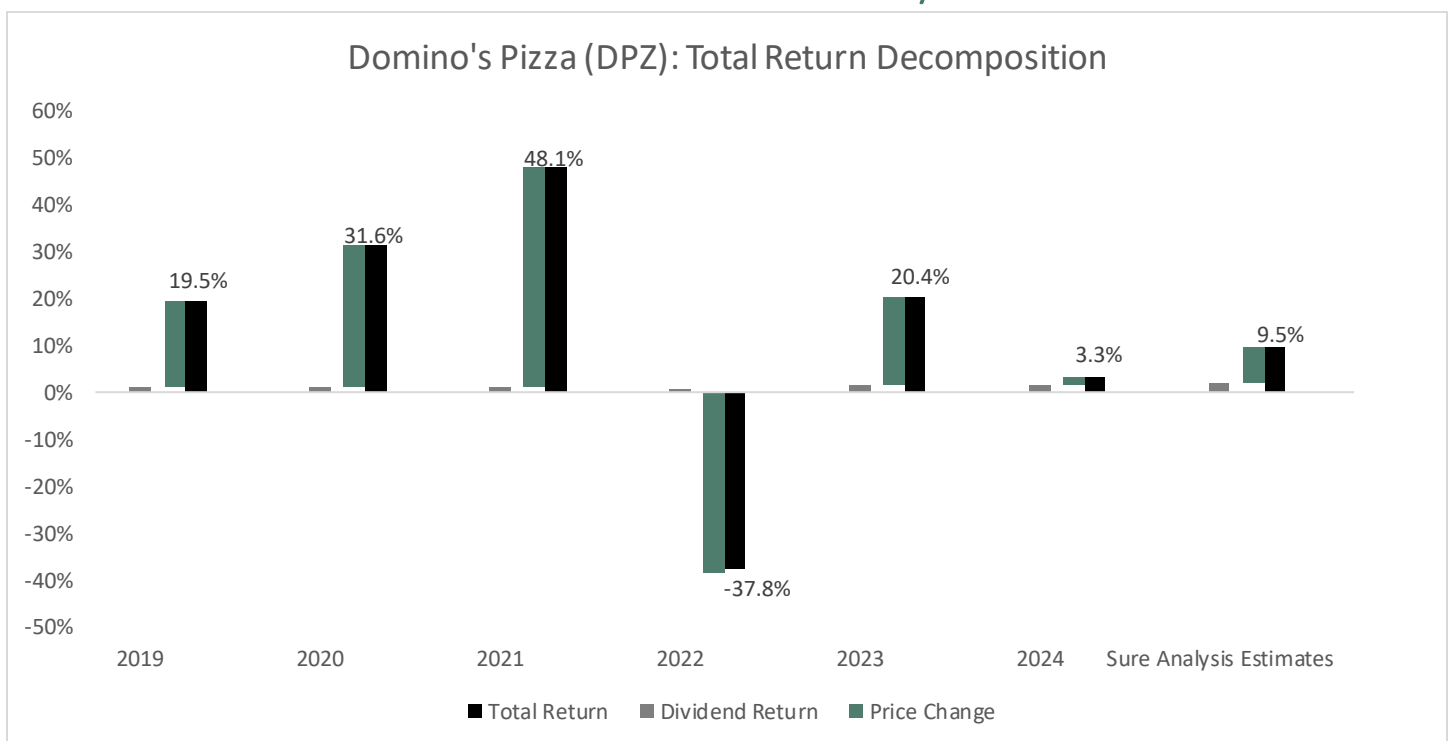
Domino's has greatly increased its debt load in recent years in order to boost its shareholder returns. Consequently, its debt/assets ratio has skyrocketed to 328%, its book value has collapsed to negative levels and its net debt has climbed tremendously. Still, as its interest expense consumes only 20% of its operating income and the company grows at a fast pace, the debt will be manageable moving forward.

Despite the strong competition in the fast-food sector, the unparalleled decades-long growth record of Domino's reveals the existence of a moat in its business. Indeed, the superior taste and value proposition have contributed to a strong brand name. Moreover, Domino's is certainly the digital leader, as it generates more than 85% of its U.S. sales and about two-thirds of its global retail sales from digital channels.

Final Thoughts & Recommendation

Domino's has better growth potential than most of the other stocks in our investment universe. The stock has remained essentially flat in the last 12 months, in contrast with the 18% rally of the S&P 500, but we view the headwinds from staffing shortages and tough comparisons vs. blowout results in 2021-2023 as temporary and remain confident in the long-term prospects of this best-of-breed pizza chain. Domino's can offer a 9.5% average annual return over the next five years thanks to 9.0% growth of earnings-per-share and its 1.5% dividend, partly offset by a -0.8% valuation headwind. We reiterate that Domino's has one of the most compelling growth stories in the stock market and maintain our "buy" rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2217	2473	2788	3433	3619	4,117	4,357	4,537	4,479	4,706
Gross Profit	683	768	866	1303	1402	1,594	1,688	1,649	1,727	1,849
Gross Margin	30.8%	31.0%	31.1%	37.9%	38.8%	38.7%	38.7%	36.3%	38.6%	39.3%
SG&A Exp.	278	314	345	731	773	869	908	902	908	969
D&A Exp.	32	38	44	54	60	65	73	80	81	88
Operating Profit	405	454	521	572	629	726	780	768	820	879
Operating Margin	18.3%	18.4%	18.7%	16.7%	17.4%	17.6%	17.9%	16.9%	18.3%	18.7%
Net Profit	193	215	278	362	401	491	510	452	519	584
Net Margin	8.7%	8.7%	10.0%	10.5%	11.1%	11.9%	11.7%	10.0%	11.6%	12.4%
Free Cash Flow	229	234	251	274	411	504	560	388	485	512
Income Tax	113	130	122	67	82	64	115	121	133	138

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	800	716	837	907	1382	1,567	1,672	1,602	1,675	1,737
Cash & Equivalents	133	43	36	25	191	169	148	60	114	186
Accounts Receivable	132	150	174	190	210	245	255	257	283	309
Inventories	37	40	40	46	53	67	68	82	83	71
Goodwill & Int. Ass.	45	56	68	79	88	96	111	120	146	167
Total Liabilities	2600	2599	3572	3947	4798	4,868	5,881	5,791	5,745	5,699
Accounts Payable	107	112	107	93	111	94	92	90	106	86
Long-Term Debt	2241	2188	3154	3532	4095	4,119	4,994	4,948	4,990	4,975
Shareholder's Equity	-1800	-1883	-2735	-3040	-3416	-3,300	-4,210	-4,189	-4,070	-3,962
LTD/E Ratio	-1.24	-1.16	-1.15	-1.16	-1.20	-1.25	-1.19	-1.18	-1.23	-1.26

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	27.6%	28.3%	35.8%	41.5%	35.0%	33.3%	31.5%	27.6%	31.7%	34.2%
Return on Equity	---	---	---	---	---	---	---	---	---	---
ROIC	53.4%	57.6%	76.9%	79.5%	69.5%	64.8%	66.2%	58.6%	59.2%	60.4%
Shares Out.	49.8	48.1	44.6	42.6	41.4	39.5	36.7	36.1	35.4	35.0
Revenue/Share	39.91	49.53	58.48	79.22	86.32	103.87	115.61	125.70	126.53	134.50
FCF/Share	4.11	4.69	5.27	6.33	9.81	12.71	14.86	10.75	13.71	14.63

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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