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Domino's Pizza, Inc. (DPZ) Q1 2026 Earnings Call Transcript

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Q1: 2026-04-27 Earnings Summary

Insights

EPS of $4.13 misses by $0.14 | Revenue of $1.15B (3.47% Y/Y) misses by $11.53M

Domino's Pizza, Inc. (DPZ) Q1 2026 Earnings Call April 27, 2026 8:30 AM EDT

Company Participants

Gregory Lemenchick - Vice President of Investor Relations
Russell Weiner - CEO & Director
Sandeep Reddy - Executive VP & CFO

Conference Call Participants

David Tarantino - Robert W. Baird & Co. Incorporated, Research Division
Gregory Francfort - Guggenheim Securities, LLC, Research Division
David Palmer - Evercore ISI Institutional Equities, Research Division
Brian Bittner - Oppenheimer & Co. Inc., Research Division
John Ivankoe - JPMorgan Chase & Co, Research Division
Peter Saleh - BTIG, LLC, Research Division
Christopher O'Cull - Stifel Financial Corp.
Dennis Geiger - UBS Investment Bank, Research Division
Lauren Silberman - Deutsche Bank AG, Research Division
Andrew Charles - TD Cowen, Research Division
Hyun Jin Cho - Goldman Sachs Group, Inc., Research Division
Jeffrey Farmer - Gordon Haskett Research Advisors
Danilo Gargiulo - Bernstein Institutional Services LLC, Research Division
Sara Senatore - BofA Securities, Research Division
Jon Tower - Citigroup Inc., Research Division
Brian Harbour - Morgan Stanley, Research Division
Christopher Carril - KeyBanc Capital Markets Inc., Research Division
Jeffrey Bernstein - Barclays Bank PLC, Research Division

Presentation

Operator

Good day, and thank you for standing by. Welcome to the First Quarter 2026 Domino's Pizza Earnings Conference Call. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Greg Lemenchick, Vice President of Investor Relations and Sustainability. Please go ahead.

Gregory Lemenchick
Vice President of Investor Relations

Good morning, everyone. Thank you for joining us today for our first quarter conference call. Today's call will begin with our Chief Executive Officer, Russell Weiner; followed by our Chief Financial Officer, Sandeep Reddy. The call will conclude with a Q&A session.

The forward-looking statements in this morning's earnings release and 10-Q, both of which are available on our IR website, also apply to our comments on the call today. Actual results or trends could differ materially from our forecast. For more information, please refer to the risk factors discussed in our filings with the SEC.

In addition, please refer to the 8-K earnings release to find disclosures and reconciliations of non-GAAP financial measures that may be referenced on today's call.

This morning's conference call is being webcast and is also being recorded for replay via our website. We want to do our best this morning to accommodate as many of your questions as time permits. As such, we encourage you to ask one question only.

With that, I'd like to turn the call over to Russell.

Russell Weiner
CEO & Director

Thanks, Greg, and good morning, everybody. Q1 represented another quarter of positive order count and market share growth for Domino's in the U.S. While I was pleased with our start to the year, performance for the rest of the quarter did not meet our expectations, resulting in same-store sales of 0.9%. We are very clear on the drivers of our results, and we'll do everything within our control to address them by adjusting our plans in the second half of the year.

Looking back at Q1, pressure intensified throughout the quarter, in particular, in March because of growing consumer uncertainty. Consumer sentiment hit COVID-level lows and ongoing inflation continued to impact purchase decisions. Weather also affected our business in the quarter, including the beginning of our carryout special boost week.

Competition within the QSR Pizza space also increased in Q1 as the national pizza players offered deals comparable, if not identical, to the renowned value Domino's has made famous. While this created some short-term pressure, we believe Domino's wins in the sustained value environment. Our advantage is profit power, the ability to offer compelling ongoing value while driving profit growth for Domino's franchisees.

Our industry-leading advertising budget drives the order counts needed to make this value model work profitably over time. Our pizza competitors simply don't have that same capability. As a result, we believe that when competitors match our value, it places significant pressure on their franchisee economics. Over time, we expect this pressure to contribute to more store closures on top of the roughly 450 closures our 2 public pizza competitors have already announced for 2026. I believe these dynamics will translate into more sales, more stores and more profits for Domino's franchisees.

In Q1, we continued to make strong progress on our Hungry for MORE strategy. I want to call out a couple of areas, particularly within the Operational Excellence pillar that we believe will play a major role in driving our future success. We fully launched our new app, including improvements to our world-famous Pizza Tracker, which has tracked more than 2.5 billion orders since 2008. This new modernized app is much easier for our customers to use and will allow for more personalization over time. And the updated tracker provides more precise ready time based on new AI technology, Live Activities for iOS users and a more detailed view of each order's progress. The closer we can deliver our products to the time we promise our customers, the more they come back in the future. The updated tracker helps us do just that.

In addition to the consumer-facing app, we made progress in our back-of-house DomOS orchestration agent that makes production more efficient and effective. This orchestration agent allows an order to be prepared hot and fresh for our customers in the most efficient way possible. For example, if there's not going to be a driver back in time to pick up a pizza when it exits the oven, this technology can alert a store to hold that order so it isn't made until a driver is there. Our goal at the end of the day is just-in-time pizza making, which will result in a more consistent, higher-quality product for our customers.

As I finish up, I want to highlight why I remain so bullish on our business now and in the long term. On our February earnings call, I shared my view on the QSR Pizza category growth and my confidence that we can outperform the competition and capture meaningful market share in 2026 and beyond. That view remains unchanged.

I'll start with 2026. We are committed to doing everything we can to deliver 3% same-store sales in the U.S. for the year. While I already addressed why we believe we missed our plan in Q1, those were reasons, not excuses. Our team is hard at work making the adjustments we believe are necessary to drive an even bigger impact in the current macro environment. I'm especially energized by the product innovation we're bringing in the second half of the year, particularly around pizza, which goes beyond what we originally planned. It's bold, exciting, and has real potential to elevate our brand.

Now to my belief in the long term, which is as strong as it has ever been. You've heard me talk about how we've taken 11 points of market share over the past 11 years in the U.S., let's go a little bit deeper, let me tell you how we gained that market share. We did it by driving more sales, more stores and more profits.

First, sales. Our same-store sales have grown on average more than 5% annually over that time period. Next, stores. We've opened more than 2,000 net new stores over the last 11 years amidst a backdrop of significant competitive closures. And finally, profits. Our average franchisee has increased profits almost $80,000 per store. This means the Domino's franchise system is earning $740 million more in profits than it did just 11 years ago. This has been and will remain our formula for success. More sales, more stores and more profits drive more market share. More market share drive scale, which strengthens our competitive advantage. That is the Domino's effect, working for over a decade, delivered again in Q1 and one we expect to continue well into the future.

I'll now hand the call over to Sandeep.

Sandeep Reddy
Executive VP & CFO

Thank you, Russell, and good morning, everyone. Income from operations increased 4.2% in Q1, excluding the impact of foreign currency and a gain on the sale of the company's corporate aircraft. This increase, which came in below our expectations, was primarily driven by higher U.S. and international franchise royalties and fees as well as gross margin dollar growth within supply chain. Excluding the impact of foreign currency, global retail sales grew 3.4% in the quarter due to positive U.S. comps and global net store growth of more than 900 stores over the past 12 months.

In Q1, retail sales grew by 2.8% in the U.S., driven by same-store sales and net store growth. The U.S. QSR Pizza category grew again in the quarter, and we continue to take share. Same-store sales grew 0.9% for the quarter, driven by our marketing promotions and continued growth in our aggregator business. Our business was impacted by a challenging macro environment, which continues to pressure consumers as well as increased competitive activity. Our comp was driven by a balance of positive order counts and a positive average ticket. Ticket benefited from 0.9% of pricing, partially offset by a negative mix impact. Our carryout comps were up 2.4% and delivery was down 0.3%.

Shifting to U.S. unit count. We added 19 net new stores, bringing our U.S. system store count to more than 7,200. International retail sales grew 4%, excluding the impact of foreign currency in the quarter. This was driven by net store growth over the last year, inclusive of 161 stores in Q1 that was slightly offset by same-store sales decline of 0.4%. Excluding the headwind on our comp sales from Domino's Pizza Enterprises in the quarter, we would have met our expectations.

Moving to capital allocation. Through April 21, we repurchased approximately 446,000 shares for a total of $170 million year-to-date in fiscal 2026. As of April 21, we had approximately $1.29 billion remaining on our share repurchase authorization. This is inclusive of the additional $1 billion share repurchase authorization that the Board approved in April.

I wanted to take some time to remind everyone of the incredible profit and cash flow generation of our earnings model. If you go back to 2015, Domino's generated approximately $400 million in operating income and approximately $230 million in free cash flow. In 2025, that grew to approximately $950 million and $670 million, respectively. Over the same time period, we have returned approximately $7.7 billion to shareholders through share repurchases and a dividend that has grown annually by more than 20% on average. We have done all of this while maintaining a leverage ratio in our expected range of 4 to 6x. We expect to deliver meaningful cash to shareholders in 2026 and beyond, in line with our capital allocation priorities, and we'll look to drive the best possible returns for our shareholders as we evaluate our options.

Now turning to our updated outlook for 2026, which excludes the impact of the 53rd week. First, U.S. same-store sales. As a result of the challenging start to the year and increased macro pressure, we now expect our U.S. comp to be up low single digits in 2026. As Russell noted, we're actively optimizing our marketing calendar to meet the moment and ensure we're well positioned despite the current macro environment. Second, we now expect our international same-store sales growth to be low single digits, primarily as a result of the macro and geopolitical uncertainty across the world. Third, we continue to expect 175-plus net stores in the U.S. and approximately 800 net stores in our international business.

As a result of our revised same-store sales outlook, we now believe our global retail sales growth will be up mid-single digits for the year. Due to our lower sales expectations, we now expect operating income growth of mid- to high single digits, excluding the impact of foreign currency, refranchising gains and the gain on the sale of our corporate aircraft.

As I close, I want to be clear that our team is fully aligned and working with urgency to deliver our 2026 outlook and that our belief in the long-term algorithm of the Domino's business through 2028 has not changed. Thank you. We will now open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] And our first question comes from David Tarantino with Baird.

David Tarantino
Robert W. Baird & Co. Incorporated, Research Division

Russell, I just wanted to ask your thoughts on the comps outlook for the remainder of the year. It looks like you're guiding to continued positive comps even though the comparisons look like they get quite a bit more difficult. So I'm just wondering if maybe you can unpack why you think the business might be able to accelerate on an underlying basis? And I know you mentioned some innovation that's coming and adjustments to your plans. And maybe as part of the adjustments, does that mean perhaps a bit more focus on value? Or I guess, what -- if you could elaborate on that, that would be great.

Russell Weiner

CEO & Director

Thanks, David. I'd like to say, even though as Sandeep talked about a revised guidance, my objective, his objective, everyone at our company, our objective continues to be for the year in the U.S., 3% same-store sales. And we had a pretty light first quarter last year and folks asked whether or not we thought we could hit 3% for the year, and we did, and that remains our focus, that remains our objective. You're right, though, we have absolutely looked at our calendar and asked ourselves within what we can control, how do we change things? How do we see what's out there in the environment? And it's not just value, I think we can do a little bit more on pizza innovation as well. And so starting as soon as May you're going to see things on the calendar or in media from Domino's that weren't on our calendar to start the year.

So our plans moving forward will look very different than they were starting the year, and that's because we adapt to what's going on in the broader environment.

Sandeep Reddy

Executive VP & CFO

And David, I'm just going to add on the guidance specifically on positive low single digits. I want to emphasize the positive. I think we're really confident that even with the macro environment and the volatility that we see in the macro environment, with all the leaning in that Russell just talked about, we are still confident of driving positive low single digits. That's point number one. Point number two is, we're still growing stores. We are expecting 175 stores. We grew 172 stores last year as well. And we are expecting to drive retail sales growth definitely well above the same-store sales growth that we're talking about, continuing to drive market share growth in a category that we believe will continue to grow.

Operator

Our next question comes from Greg Francfort with Guggenheim.

Gregory Francfort

Guggenheim Securities, LLC, Research Division

I just want -- maybe just wanted to follow up on that. And Russell, is there anything you're seeing competitively in the environment right now that maybe as your competitors are acting a little bit more rationally or anything you can see from that front? And then do you expect with your competitors maybe closing stores later this year, is that something you could see from an accelerated basis?

Russell Weiner

CEO & Director

Thanks, Greg. On the competitive side, I think what they're doing is they're seeing what has made Domino's successful. And if you look at Q1, one of the things I talked about in my opening remarks is a lot of the promotions they had there were really out of our playbook, kind of their version of Best Deal Ever, there was Mix & Matches, and to that, we say bring it on because we're built to do that stuff over time. Now you add that to some of the macros, and was that a little bit of a headwind for us in Q1? Yes.

But I think it really delves really well into your second point, which is the closures that they've already announced for the year. Greg, I know the kind of volumes that need to be done in order to make deals like the ones we have out there profitable. And I do not believe that our competition can drive those kinds of volumes because their advertising budget, ours is as big as the biggest 2 competitors combined, just can't do that. And so believe me, I was not pleased with our results for the quarter. But I do think that there was potentially a little bit more structural damage behind the scenes. And you'll see that, I think, in future quarters and future years coming up in store closures and then in kind of lighter franchise profits for our competitors.

Sandeep Reddy

Executive VP & CFO

And Greg, what I'll add is, Russell talked about the 450 stores that our national competitors, that are publicly traded, have quoted. But really speaking, if I go back into '25, they closed about the same number of stores last year too. So our playbook has been to continue to squeeze their profits, they close stores, we take sales, we take share. What is happening in '26 is no different. It's a continuation of the same play and that continuation of the same play should continue well beyond '26. And that's why I think what Russell said on the profit power is super critical. We are able to actually continue to drive this playbook forward.

Operator

Our next question comes from David Palmer with Evercore ISI.

David Palmer

Evercore ISI Institutional Equities, Research Division

I just want to present maybe a common investor view and pushback, and that is that it's not a pushback that Domino's will gain share in the pizza category and especially from the near-end big 3 players. It's really that Domino's operates in the pizza category and that you've talked about 1% to 2% growth for that category in the past, and that, with your share gains, which I think people can believe in, will get you to that 3% comp growth while growing units.

So the concerns about the pizza category in light of the fact that other categories are more available on -- in delivery channels now, and I guess the concern is that maybe 3% is not appropriate in light of that, even though your long-term delivery has been strong and, in fact, better than 3%, the concern is that the reality is different today. Could you just speak to any of that and how it informs your strategy?

Russell Weiner

CEO & Director

Thanks a lot, David, for the question. I've been here, this is my 18th year at Domino's, and I feel like every year when I get in front of our team and I talk about category growth, it's 1% to 2%. And we've talked -- if you remember last quarter, I had a lot of questions -- I'm sorry, first quarter of last year, a lot of questions about the pizza category, which got off to a slow start last year, but guess what, ended up at 1% to 2% for the year. And so this is a trend that has been pretty consistent, and we just don't see falling off.

And maybe just getting to your delivery question, I'd answer it in a little bit of a different way. Look, delivery, certainly other folks are getting into this game have gotten into this game. But you've got to remember, we're now -- we've changed our strategy, and we're on the aggregators. And essentially, this last quarter, on delivery, we held serve on total delivery. That is something in the past Domino's would not have done because of the structure of our consumers. And what we talk about a lot is lower-income consumers, which we have a QSR -- and QSR Pizza and Domino's have a good amount of those customers, when it comes to delivery, when times are tight, what happens is we don't lose those customers, we may lose an occasion, those people come back.

And so this quarter, with all the headwinds out there with consumer confidence being low, this normally would have been a quarter where we took -- our total delivery business took, I think, even a bigger hit. But the fact is us being on aggregators with a higher-income customer, the incrementality of that, our full delivery strategy results are probably a little different than they would have been in the past.

And I'd point to as well is this carryout business that just continues to grow for us, it's a bigger portion of the pizza category, bigger portion of the QSR category, and we can continue to grow that in addition to opening up all those new stores, which helps us with carryout as well. And so David, net-net, history hasn't changed. We're a couple of months into -- a few months into a year. And I'm really bullish about our ability to grow in a category that can continue to grow.

Sandeep Reddy
Executive VP & CFO

And I'm just going to dimensionalize some of the numbers that Russell talked about. I think the delivery category in QSR Pizza is a $17 billion category, of which the aggregator business is, call it, $5 billion roughly. But now to Russell's point, we're playing in both the 1P as well as the aggregator piece, which is why we were able to actually drive the kind of results that we were able to drive in Q1 despite a very tough environment. But the really important thing over here is, we have a 33% share in the delivery business today.

But if I actually look at the carryout business, the carryout category size is $21 billion. That's about half of all of QSR Pizza. Our share there is just 20%. We have significant runway of growth on the carryout business that we can actually tap into. And I think that's the exciting part about the strategy. And it goes back to what we talked about at our Investor Day in 2023. The aggregators was certainly a very important piece of it, but it's significantly underpenetrated in carryout and that's a big part of how we actually look at the 3% same-store sales growth objective we have.

Operator

Our next question comes from Brian Bittner with Oppenheimer.

Brian Bittner
Oppenheimer & Co. Inc., Research Division

So you talked a lot in your prepared remarks about some of the sources of pressure you experienced in the first quarter, and the first quarter was something in that 300 basis point trend change from where you were in the fourth quarter. But you also said in the first quarter that you did take market share and that the industry remained in solid shape, the QSR Pizza category. So when you look at that trend change that occurred for Domino's comps in 1Q, was it more driven by taking less share than you've been taking? Or did the QSR Pizza category see some type of trend change for the entire industry? Can you just kind of maybe unpack the current trends we're seeing in the business right now versus where we were?

Sandeep Reddy
Executive VP & CFO

So Brian, I think when we look at Q1, there was a lot of noise in Q1. And I think we talked about some of the weather issues that we had earlier in the quarter. But then starting in March, we saw a significant macro and competitive pressures weigh on the business as well. Through all that noise, we still saw the QSR Pizza category grow. And through that noise, we actually grew faster in the pizza category. And we did take share to the point that we made in the prepared remarks.

What I think is important to note is Russell talked about the fact that competitive activity stepping up did have a short-term impact in the quarter. But in the long term, we believe that the competition is not going to be able to drive the profitability they need to sustain that. So we look at share really on a much longer-term basis. And on a longer-term basis, we've continued to gain significant share. And even in a quarter that was a bit tough for us in Q1, we gained share. So we feel really good about what the long term holds for us, and we'll keep on running the play we are.

Operator

Our next question comes from John Ivankoe with JPMorgan.

John Ivankoe
JPMorgan Chase & Co, Research Division

I'm interested to hear that some of your previously unplanned innovation is around pizza. And certainly, I'll be very curious to see what type of pizza innovation that you can do at this time. That's the first point.

Secondly, there are significantly growing categories around premium chicken and also sandwiches. Your operating platform does permit both of those. So to what extent is there an opportunity for you to extend both in terms of your capability of your stores and your supply chain into some non-pizza categories, which are actually quite large like premium chicken and sandwiches?

Russell Weiner
CEO & Director

Yes. Thanks, John. We've got a multiyear product innovation strategy and funnel. And so what we're able to do in times like this is to say, okay, what's going on in the macro? And what can we do to inflect any kind of negative externalities that we're seeing right now? And I think we're going to do that with some of this pizza innovation. And this is stuff that's either moved up in the calendar this year or didn't even exist on our calendar before that got started. And as I said, I'm really excited about those. And I guess you'll have to just wait and see, but I promise you, you will be as well.

You're right about the overall product portfolio we've got, the 40-plus percent of what we sell is not pizza. One of the first things I did actually when I was at the company in 2008, we launched sandwiches. And so we've had sandwiches well back for a very long time. We've got a wide variety of chicken products. As you know, we're also globally testing something called CHICK 'N' DIP in the U.K. And so far, DPG is very excited about the performance of that.

And so product innovation pipeline is something that is very robust here. We do think what we've got right now with our pizza oven, all of our products can go through that, and we can make the most delicious food there. But obviously, things are on the table if needed, but that's where our focus is.

Operator

Our next question comes from Peter Saleh with BTIG.

Peter Saleh
BTIG, LLC, Research Division

Great. Maybe I just want to come back to the health of the consumer in 1Q. Can you maybe talk a little bit about that performance by income cohort as you've talked about it in the past? And just curious if you think the shortfall this quarter was really due to the competitive pressure in pizza, which might be a little bit more transitory? Or do you feel like this was an overall QSR kind of pressure in the quarter?

Russell Weiner

CEO & Director

Yes. When we look at the consumer this quarter, the kind of the uncertainty there when you look at the surveys are kind of at COVID level lows, and that is particularly magnified when you look at the lower income customer. And so I do -- pretty confident both in pizza and QSR, you're going to see pressures there. And that's why not only in pizza but in the rest of QSR, you saw a lot of value out there. Companies are going to give consumers what they're looking for. And so clearly, they're looking for that, and that's why the competition is leaning in on value.

The thing I'd say about the quarter, it certainly wasn't the quarter that we had initially expected. But if you look at the composition of our 0.9%, a couple of things. One is from a retail sales point, and maybe this gets to Brian's question a little bit beforehand, we're up 2.8%. And so when we grow, it's not just in same-store sales, it's total stores -- I'm sorry, it's total retail sales.

And then when you look even beyond the composition of the same-store -- within the composition of same-store sales, and you look at every income cohort for us, and I don't think this is going to be the same for the rest of QSR, we grew, including in the lower income cohort. So there are definitely some bright spots when you think about what the rest of the year has in store for a pressured customer.

Operator

Our next question comes from Chris O'Cull with Stifel Financial Group.

Christopher O'Cull

Stifel Financial Corp.

Russell, you mentioned that you expect competitors to close additional stores. Just wondering if the company has a sense of the sales lift franchisees are getting in markets where competitors' stores have already closed? And are there certain geographies where you're seeing more closures by the competitive set?

Russell Weiner
CEO & Director

Thanks, Chris. Yes. No, certainly, we're seeing a lift when there are closures. A couple of things. One is, I think in general, we expect to see our fair share, so you take our share of pizza sales in that area. That's kind of what we expect to see when they close. Now the thing to remember is these closures happen because of business pressures over time. So when the stores closed -- they're not million-dollar stores in AUV, they're probably close to half of that. So while the flow-through continues to come at those levels, it happened, and the attrition happens over time.

What I was trying to say before is, I think the attrition will continue. So whether it's in store closures or just in less sales that lead to less profits that lead to eventual closures, this is something we've been doing for a long time. And I think it's just proof that this strategy is working, 11 years, 11 points of market share, and 11 points of market share in a category that's growing. This was not an increase in a declining category. This was sales averaging more than 5% annually over those 11 years, 2,000 new stores over those 11 years, and franchisee profits increasing over those 11 years, and that's why we're so bullish on the future.

I mean, last year, Q2, Q3, Q4 were all really strong quarters. Q1 wasn't where we thought it would be, but that doesn't mean it's a predictor of the future. The predictor of the future is what we've done in the past, what we have and will have on the calendar and our ability economically with our franchisees to continue to push within a category that we expect to still grow, gain that market share and continue to gain sales. It's not at all something that should not continue.

Operator

Our next question comes from Dennis Geiger with UBS.

Dennis Geiger
UBS Investment Bank, Research Division

Great. I wanted to ask another on value and value positioning and sort of a little more on what you've seen maybe from some of the recent promos. But more importantly, as you think about competition from the large pizza brands, maybe even from C-store and the non-pizza QSR players that you kind of touched on, do you feel over the near term that you've got to do even more on the discounting front or more generous offers? Or do you wait out the competitive intensity, I guess, as you touched on the fact that it's not sustainable longer term? Just curious on that front, how you approach it over the coming quarters or so.

Russell Weiner
CEO & Director

Yes. Thanks, Dennis. When I think of competitive intensity, I think of us as the driver of competitive intensity. Renowned value is one of the core pillars of our Hungry for MORE strategy as well as the E, which is our -- everything we do is enhanced by our franchisees. So we drive renowned value and still drive profits, and profits were up last year with our franchisees. So I think on this one, we're actually the ones in the lead. We're the ones that can drive profitable volume growth through this and other folks that are kind of trying to follow that lead, certainly, in the short term, they may keep more of their customers.

But in the long term, I think this makes it more difficult for them to compete, more difficult for them to have those franchisee conversations about promoting the next offer. So we can continue this well on into the future in a way that gives consumers what they're looking for, and gives our franchisees what they deserve, which is profit growth.

Operator

Our next question comes from Lauren Silberman with Deutsche Bank.

Lauren Silberman
Deutsche Bank AG, Research Division

So just to level set everyone, I guess, what are you defining as low single digit, is it 0% to 3%? And then my actual question is just on the gas prices, obviously, we've seen a big increase. How does that impact Domino's across a few different fronts? If you can comment on U.S. and international, that would be, one, on consumer demand; two, on just the impact on the supply of delivery drivers, and then any thoughts on the commodity cost outlook?

Russell Weiner

CEO & Director

Maybe I'll take the gas prices one. Sandeep, you can talk a little bit about guidance. Thanks for the question, Lauren. The gas prices right now, what we're seeing there is really more of the impact on the consumer disposable income. And as long as that continues, I think that will continue to be a driver of both consumer confidence and what our customer is able to afford if gas prices are higher, which is why the companies that are going to succeed during this time frame are the ones who can continue to drive profitable value because that is not going to change.

On the availability of drivers, we are staffed to levels that I'm very, very happy with, and that's been consistent for a long time, and we're not seeing anything there. Sandeep, on the guidance?

Sandeep Reddy

Executive VP & CFO

Yes. So I think what I said, positive low single digits. That's exactly what it is. Anything positive in the low single digits would be what the guidance implies. And this applies to the U.S. as well as the international business. And that's why we just clarified that language in the guidance update.

Operator

Our next question comes from Andrew Charles with TD Cowen.

Andrew Charles

TD Cowen, Research Division

Great. Carryout had been a bright spot of the U.S. business in recent years, appealing more to value-conscious consumers. And while the carryout same-store sales at 2.4%, were still positive. I'm curious if you could speak to the narrowing performance between delivery and carryout. You called out some weather impacting carryout boost week, but what further kind of led that narrowing performance?

Sandeep Reddy

Executive VP & CFO

Yes. So Andrew, I think we actually -- when we talk about the total comp and the total impact to the business, the impact was both to the delivery as well as the carryout side, the macro impact that we talked about coming in March, the competitive pressures that we talked about coming in as well and the weather impact earlier in the quarter. So all of that actually had an impact.

But I think just keeping in perspective that the carryout business still grew 2.4%, and we did grow sales stores pretty materially as well. So the retail sales growth continued to be compelling. Our share growth on carryout continued to be very good. And we're happy with the fact that we're growing, we just would like to grow more. And I think that's why all the initiatives that Russell talked about that the team is working very hard on are going to be impactful to the carryout business as well as we move forward.

Russell Weiner

CEO & Director

I think I would just add to that, too, is we're talking a lot about our belief in continued category growth, but also continued Domino's growth. And I pointed to past success before. But I'd also point to the people who have the most insight into the ability of Domino's to grow in the future and the folks who are spending their money betting on that growth are franchisees. And the pipeline is really, really, really strong. And so if you're looking for what are the people who are investing their own money and expertise and time, what do they think about the future perspective, it's not just here, the CEO and the CFO talking about what the future looks like, it's our franchisees are talking with their investments as well.

Sandeep Reddy

Executive VP & CFO

And then Andrew, I'll come back -- sorry, I should have mentioned this the first time. I mean, the fact that we have a 20% share on carryout is super exciting. I just look at it as a huge opportunity. We have a right to win and actually gain share pretty significantly over there and get to, at the very least, the 33% share that we have on delivery and more as we get past it. So we're super excited about the carryout business. I think we've -- all the things that Russell talked about in terms of technology innovations are going to impact the carryout business as well, which I think is going to be a very significant driver of continued share growth as we move forward.

Operator

Our next question comes from Christine Cho with Goldman Sachs.

Hyun Jin Cho
Goldman Sachs Group, Inc., Research Division

I'd like to discuss the international business. You mentioned that you're still expecting low single-digit same-store sales growth for the year. But have you seen any impacts from the war? And how does that compare to what you experienced in '23 and '24? Additionally, Sandeep, I think you mentioned that excluding DPE, your international business would have met expectations. Can you elaborate on that a little bit? And with the new DPE CEO now in place, are you seeing any leading indicators that the turnaround is progressing in the right direction?

Russell Weiner
CEO & Director

Yes, I think -- and we can tag team on this one, Sandeep. Yes, on the international business being in over 90 countries, things impact things in a different way. When you look at our business specifically in the Middle East, one is we're in constant contact with our franchisees over there. And so far, they've not seen an impact from the war. And even if it did, I'm not saying this is something we still don't hold dear, but it's just for a perspective, that part of the world is probably about 2% of our operating income.

Andrew Gregory, the new CEO of Domino's Pizza Enterprises actually starts in August, Christine, but we are still working very closely with their team. Actually, I've got -- on Wednesday, I've got a conference call with Jack Cowin, who is the Executive Chairman of DPE, and we're leaning in -- we continue to lean in with them big time to turn around that business. There, it's all about getting the value equation right, to start order count driving again, which then leads to sales growth. So we're continuing to lean in with them there.

And as Sandeep said, look, our job is to give reasons, but they're not excuses. If you took out DPE, the rest of our international business performed exactly as we had hoped it would for the quarter. So our job is, it's a pretty big focus right now on one part of the business, and that's what we're all doing.

Sandeep Reddy
Executive VP & CFO

And then just to add a little texture to the performance and then a little bit about the guidance itself. I think when we look at the bright spots, and Russell talked about excluding DPE, we were on track. And I think the European business, and that was driven a lot by the U.K., we just had an update that they announced recently was pretty good, and we were pleased with the Americas business as well and the performance over there.

So when we talk -- moving to the guidance itself, when we talk about low single digits, we're just taking into account pretty much the answers are driven by your questions. I mean, there's macro and geopolitical uncertainty, which has developed since the time we provided our February guidance, and we're taking that into consideration as we've updated to low single digits. And we're just monitoring this very carefully, but we feel the underlying business, excluding the impact of DPE, is where we expected it to be.

Operator

Our next question comes from Jeff Farmer with Gordon Haskett.

Jeffrey Farmer
Gordon Haskett Research Advisors

Just following up on an earlier question. So relative to that initial 3% U.S. same-store sales guidance that you guys had as of late February, which income cohorts or channels would you say saw trends fall furthest below your expectations?

Sandeep Reddy
Executive VP & CFO

Yes. So Jeff, I think when we -- I'll go back to what Russell talked about, when we look at the broad industry, of course, with the macro environment and the pressure on the low-income consumer, there will be broadly industry-wide impact that we would expect. But specifically to our own performance, the great news was we were actually pretty consistent across all income cohorts and grew across all income cohorts, which means a pretty narrow band in terms of performance.

The part that I would actually bring back, and I don't remember who asked the question or who made the comment, but the competitive activity did make a difference in the quarter, but that's a very short-term and transitory impact that we think over the long term will sort itself out. And we feel that, that's all taken into account in the guidance that we provided because we have ideas and plans that are going to be implemented as we move through the balance of the year.

Russell Weiner
CEO & Director

Yes. I'd just say that maybe another way to think about it is that short-term headwind competitively, I think, is a long-term tailwind. So...

Operator

Our next question comes from Danilo Gargiulo with Bernstein.

Danilo Gargiulo
Bernstein Institutional Services LLC, Research Division

I want to ask a question on leverage. And specifically, Sandeep, during the Investor Day, you laid out a decision tree that was informing how you were thinking about leveraging or deleveraging the business. Now with the increased uncertainty on macro and geopolitical environment, why is it the best option to continue to do share repurchases versus driving down the leverage to, say, 3 to 4x in anticipation of maybe volatility in the rate?

Sandeep Reddy
Executive VP & CFO

Yes, Danilo, I think when I go back to where we were at the time of the Investor Day, December '23, we actually were running at a leverage of 5.4x, if I remember right. And since that time, we've continuously delevered and we've gotten down to 4.3x as of this most recent quarter. But I think the more important thing I would say on the decision tree was we were very clear based on where interest rates were and interest rates were pretty volatile at that time, too, that if interest rates remained at the level at which they were, we would just refinance existing debt load while growing earnings and naturally deleverage. And if interest rates did go up, we would actually reduce our leverage, but partial debt paydown.

And so since that time, I think what we've seen is that interest rates have been volatile, the tenure was about 4.2x at that time, now it's probably close to 4 -- somewhere in the same range, 4.3x, 4.2x. And so I think that decision tree does not change. And I think the part that I wanted to really address in the prepared remarks is, we stay very consistent in returning capital to shareholders and returning value to shareholders. And we've been very committed to the dividend. We've actually raised it by 15% this year, but on average, over the last decade, has been going up about 20% annually. And share repurchases is another vehicle that we actually believe delivers great value to shareholders over a period of time.

And so we're committed. We talked about the share repurchase authorization that we had approved by the Board. And we will lean in, but with discipline. We will make sure that from a decision tree perspective, we're paying very close attention to where interest rates are. We will be paying attention to where market volatility is. But we believe that by staying close to that low end of the 4 that we've talked about, we've demonstrated that we will stay disciplined.

Russell Weiner
CEO & Director

I think the repurchase, in addition to what Sandeep talked about, is driven by a belief. It's driven by belief in the Domino's brand, a belief in what we can do over the long term, and a belief that's a right spend on behalf of our shareholders.

Operator

Our next question comes from Sara Senatore with Bank of America.

Sara Senatore
BofA Securities, Research Division

Maybe 2 clarifications. The first is, you mentioned, excluding the headwind from the DPE comp, you would have met expectations. I guess, DPE has been a drag now for, I think, probably 3 years. Is there a point at which you think about perhaps lowering the long-term algo or the growth for the international market just because it seems like it's been a drag either from a unit or comps perspective for a while.

And the other follow-up is, you mentioned promotional impact is kind of transitory, which makes sense. Is this related to the closures? Is it possible that sort of the remaining stores are healthier? Or conversely, that maybe it's kind of the last gasp of struggling competitors? Just, Russell, especially given how much perspective you have. I guess, how long does this type of thing last in the context of pressured margins?

Russell Weiner

CEO & Director

Thanks, Sara. The potential for the markets that DPE is in long term and short term is far too big for us to ever think about taking down long-term guidance. What we need to be focused on is helping them untap that potential, one that they have been doing for a long time, but they're clearly not doing now. I talked before about value. But we're in constant conversations with them.

One of the things that Jack Cowin talked about on a couple of calls ago is that they're open to looking at changing the structure of their portfolio, maybe what markets they own versus don't own. You should know that we've got contractual powers that we can leverage as well to drive change, and we're going to be doing all of those things. But the long term for the market that DPE has is way too high for us not to continue to tap that.

Sandeep Reddy

Executive VP & CFO

And I think just on the promotional impact being potentially transitory, yes, I mean, I think what we expect is the promotional intensity is high as potentially store closures are looming. And maybe there's some leaning in that's going on. But regardless of whether it's short term or not, I think the sustainability of that promotion is not going to work for the franchisee profitability of the competition. So either the stores will end up closing, or they'll have to stop doing the promotions because they can't afford the profits.

Russell Weiner

CEO & Director

You're talking about the U.S. business?

Sandeep Reddy

Executive VP & CFO

U.S. business.

Russell Weiner
CEO & Director

Yes, I just want to be clear, that's about the U.S. business and really back to what I was talking about before, which is potentially, in addition to some of the kind of the external headwinds, competition was a headwind for us in the quarter, but I actually really do truly think this will be a long-term tailwind because this is doing damage to the P&L of -- I believe, of their franchisees.

Operator

Our next question comes from Jon Tower with Citi.

Jon Tower
Citigroup Inc., Research Division

Maybe just first, starting on the expectation for the macro in your guidance. Are you effectively just carrying forward what you saw in the month of March for the balance of the year? And then secondarily, obviously, the channel shift between delivery and carryout will impact mix. But what else is going on with check in your business in the U.S.?

Sandeep Reddy
Executive VP & CFO

So Jon, I think you're right. I think your question actually framed exactly how we're thinking about guidance. I think we've taken into account the incremental pressure that we saw in the macro into the guidance that we've updated this time, and that's the base assumption. And I think in terms of channel shifts, delivery and carryout, we expected to grow both businesses.

And I think when we look at this year and all the things that we're planning on, we're looking to have a balance between ticket and order count growth. And I think that's embedded in our assumptions. And that really didn't change. I think the timing of when all those sales would come have obviously shifted a little bit based on how we started the first quarter. But that's pretty much how we're thinking about the year.

Russell Weiner
CEO & Director

Yes. And just maybe saying it in a little bit of a different way. The guidance has been updated. The goals have not been updated at all. And that's our job this year, and that's what we're doing in moving around things on the calendar. Everything that we are focused on is delivering on the goal, which is the high end of that guidance.

Operator

Our next question comes from Brian Harbour with Morgan Stanley.

Brian Harbour
Morgan Stanley, Research Division

I'm curious if you think advertising effectiveness has changed to some extent. I mean, was it less in the quarter? How people respond to that, and how people respond to some of the deal-driven advertising? Is that something that you plan to change as you go through the year? Or is this more just about kind of new products?

Russell Weiner
CEO & Director

Yes, Brian, we can get better in everything that we do in all aspects of our business. And so absolutely, are we going to continue to drive the renowned value and come up with new products, but our job is, too, is to develop great stories, stories that supersede or build upon what is great value or great innovation.

And so our CMO, Kate Trumbull, is working very closely with the advertising agency. I mean, the lights on every evening here. And I know not only some of the products on the calendar, but I know some of the stories on the calendar. You may know, my first job here at the company was Chief Marketing Officer. And I am really excited about the stories we're going to tell. It's not just spending the most amount of money, although it certainly helps. It's on top of the money is having the most compelling stories, and we're going to do both of those things in the second half of the year.

Operator

Our next question comes from Chris Carril with KeyBanc Capital Markets.

Christopher Carril
KeyBanc Capital Markets Inc., Research Division

Can you expand a bit more on the margin outlook for both the supply chain business and your company-owned stores for the balance of the year, maybe puts and takes around the food cost basket, potential impact from higher energy costs and maybe for the supply chain and how you're thinking about productivity gains at this point?

And then specifically, just on the company-owned store margins, I think they seem to come in a little bit lower than anticipated in the 1Q. So just curious how you're thinking about the various dynamics impacting the company store margins in the 1Q as we are thinking about the balance of the year here.

Sandeep Reddy
Executive VP & CFO

So thanks for the question, Chris. So let me start with the supply chain margins. And I think this is a story that's been really very, very strong for the last few years. And I think we're really proud of the work the team is actually doing on the supply chain side to actually navigate some of the cost pressures that we're seeing in the current environment as well. And we've actually been driving a lot of procurement productivity and the team keeps on pushing hard to actually get more value out of that business. And that's showing up in the profit growth that you're seeing on the margins over there.

But also, I think we're driving gross profit dollar growth on the back of the volume that we actually are continuing to drive and expect to drive. So I'd say that's the supply chain business. And our expectation for the year is to see positive margin outlook on the supply chain business, as we talked about in February.

And so I'm going to now go to the company stores. And the company stores, there's a subtle tweak that we made in the earnings release. We actually did not talk about that as one of the KPIs from a profit perspective and a profit margin perspective, we have the disclosure in the 10-Q. The reason this was the case was, this was really -- it's becoming less and less material.

Last year, we still had Maryland in the portfolio, but we did refranchise it. And as we actually get to a place where the size of the portfolio of company stores is less -- it's less material to the profitability of the company. And that's why we keep the disclosure in the 10-Q, but I think as the read-through to what's happening in our franchisees really isn't there when we only have 5 markets in which we are operating.

And again, we had some discrete issues that we dealt with in the first quarter. We had some pressure from labor. We had some pressure from the food basket, which actually was impacting on the business. We had some pressures in insurance as well as we outlined. But really speaking, when we look at the big picture on the total company, we feel like this is not that material to what's going to happen to the company. We believe that operating margins will continue to expand this year at the company level, and we feel pretty good about where that's going as we manage the puts and takes between the revenues and investments we need to make in the P&L to drive profit growth for the company.

Russell Weiner
CEO & Director

And maybe just to add to that, Sandeep, the company store profit is not reflective of the profit for our franchisees, which continues to be strong.

Operator

And our final question comes from Jeffrey Bernstein with Barclays.

Jeffrey Bernstein
Barclays Bank PLC, Research Division

Great. I just wanted to talk again about the U.S. competition. I know, Russell, you noted the intensification, but yet good to see your increasing confidence taking share. I was hoping to maybe look a little bit more at the broader QSR segment. I mean, I know your largest pizza peers are increasingly aggressive on value, but it seems like the QSR peers with their values and deals and they have lots more outlets.

And I know -- I'm guessing they're better positioned in terms of their franchisee health to be able to offer extended value without having to see closures. So maybe that's a potential risk to the historical 1% to 2% pizza category growth if we see again all the big burger and chicken players more sustainably pushing value, which seems to be on their agenda. Any color there would be great.

Russell Weiner
CEO & Director

Yes, Jeff, certainly, what you're seeing throughout the industry is competitors, both pizza and non-pizza, giving customers what they want. We actually talked about this last year, if you remember, there was a lot of value pressure last year. And one of the things I said was you need to give customer not just value for value's sake, but they need to value the things that you're putting value on. And that's why we were so excited about and continue to be so excited about promotions like Best Deal Ever, because there, it's not, "Hey, I want a large pizza, you're going to give me a small pizza at a discount." It's "We're going to give you the large pizza at a discount." And what I think you're starting to see this year is competition in pizza and non-pizza realizing they need to do the same thing.

At the end of the day, I think what that allows us to do is not only continue to put pressure on our competition and continue to grow there, but also just this value environment is not going to change, I don't believe, for the rest of this year. When I look at our Q1 results and we look at some of the macros, we didn't see non-pizza be a significant impact, if we did, we would have called it out. But yes, I think we're going to just have a year where we're going to continue to compete. And I'm really glad we have the resources and our franchisees have the resources to do that.

Gregory Lemenchick
Vice President of Investor Relations

Thank you, Jeff. That was our last question of the call. I want to thank you all for joining our call today, and we look forward to speaking to you all again soon. You may now disconnect.

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