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# Domino's Pizza, Inc. (DPZ) Q3 2026 Earnings Call Transcript

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## Q3: 2026-10-13 Earnings Summary

Insights

EPS of $4.60 beats by $0.22 | Revenue of $1.19B (3.36% Y/Y) beats by $13.03M

Domino's Pizza, Inc. (DPZ) Q3 2026 Earnings Call October 13, 2026 8:30 AM EDT

### Company Participants

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

### Conference Call Participants

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

## Presentation

### Operator

Good day, and thank you for standing by. Welcome to the Third 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. Sir, please go ahead.

### Gregory Lemenchick
*Vice President of Investor Relations*

Good morning, everyone. Thank you for joining us today for our third quarter conference call. Today's call will begin with remarks from our Executive Chairman Designate, Russell Weiner; followed by our Chief Executive Officer, Joe Jordan; and our Chief Financial Officer, Sandeep Reddy. We will then open the line for Q&A. Please note that Russell will be joining only for the prepared remarks. Joe and Sandeep will take your questions.

The notices regarding 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 forecasts. 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 conference call is being webcast and 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**

Thanks, Greg, and good morning, everybody. Before we get started, I want to take a moment to say what an incredible privilege it has been to lead this company. I'm so deeply grateful to our franchisees, team members, Board and shareholders for the trust and support you've given me over the years.

Serving as CEO has been the honor of a lifetime, and I'm excited to become Executive Chairman at our Annual Shareholder Meeting in April. I also want to thank Dave Brandon, who hired me in 2008 and has been an incredible mentor throughout my career at Domino's. When I joined Domino's, we were a very different company. Since then, we've reinvented the brand, become a technology leader, opened thousands of stores around the world and built Domino's into the #1 pizza company on the planet.

What I'm most proud of, though, isn't what we've accomplished, it's how we've accomplished it. Time and again, when others said Domino's couldn't, our franchisees and team members proved we could. That's the Domino's Effect. Always hungry for more, always getting better and never satisfied with where we are today.

It's also why I'm so optimistic about our future. Our franchisees and team members, they are our competitive moat. Competitors can try and copy aspects of our products, promotions and technology. They can't copy the people who make Domino's so special. That's why I have so much confidence in Joe Jordan.

I've worked alongside Joe for more than 15 years at Domino's, and there is nobody I trust more to lead the company forward. Joe loves this brand and our franchisees, knows the business inside and out, and firmly believes that our people are our greatest competitive advantage. Domino's has never been stronger, and I couldn't be more excited about what comes next and the person who's going to lead us there. With that, let me turn it over to our CEO, Joe Jordan.

**Joseph Jordan**
*CEO & Director*

Thank you for the kind words, Russell, and good morning, everyone. It is an honor to speak with you today for the first time as CEO of Domino's. After 15 years with the brand, one thing has become clear to me. When we're firing on all cylinders, we cannot be beat. We have enormous strengths to build on, including a best-in-class franchise system, an iconic brand, an outstanding global business with significant scale and operating capabilities that set us apart. We also have an opportunity to operate as an even more connected global system, moving winning ideas faster across markets and ensuring the entire system benefits from our best thinking.

My job isn't to reinvent what makes Domino's great. It's to accelerate it with clarity, prioritization, faster decisions and relentless execution. The fundamentals of our category, while mature, remain strong. As consumer expectations evolve, growth will come from understanding those changes, meeting customers where they are and earning more of their occasions more often. As I begin this role, my philosophy is simple. We will build trust through action, earn credibility through results and stay focused on helping our customers, franchisees and stores succeed.

That starts with 2 priorities: getting closer to the customer and continuing to drive strong 4-wall profitability for our franchisees. Together, they provide a simple lens for how we will prioritize the business. My focus will be on turning our best performance into our everyday performance through stronger execution, continued value leadership and a franchisee-first mindset.

Domino's has always been at its best when we are a step ahead. Our newest innovation, The Domino, is a great example of that mindset in action. It is an ownable product and name that are uniquely Domino's, built around an emerging customer need we call the me/we occasion, the desire to enjoy pizza together without giving up individual choice. That is how we will continue to lead, by anticipating where customers are going and using the unique strengths of our brand to meet them there. Staying a step ahead has helped us set the pace for the industry before, and it's how we'll push ourselves to do it again. I have tremendous confidence in our people, our franchisees and the foundation we have built, and I believe our next chapter will be our strongest yet.

Let me now turn to our third quarter performance. Underlying demand for Domino's remained incredibly strong. We continue to drive order count growth, with orders increasing in both our delivery and carryout businesses. We also continue to gain share within the QSR pizza category. I believe growing orders is the most important thing a brand can do in the current environment. Consumers remain under pressure, but they continue to choose Domino's. More orders bring more customers into our system, support our franchisees and create opportunities to drive greater frequency over time. This has been a consistent focus for Domino's, and it will remain one under my leadership.

Looking ahead to the remainder of 2026, we expect the macro environment to remain an overhang on the consumer through the balance of the year. However, we have a strong calendar for the fourth quarter and believe we are well positioned to compete. One of the things I am most excited about is The Domino. The primary insight was that customers wanted to enjoy pizza together without having to compromise. As previously mentioned, we call this the me/we occasion. People ordering as a group while still having the ability to choose something for themselves.

Across QSR, consumers increasingly expect individual options, even when eating as part of a group. The Domino allows us to meet that need with a product designed for individual choice while still preserving the shared occasion that makes pizza so special. We also believe this innovation creates an opportunity to compete for more occasions than ever before. That is particularly relevant on aggregator platforms, where customers are often looking for a meal of their own. This product gives them another compelling reason to choose our brand. If you haven't had one yet, I highly recommend that you do.

As I close, having just stepped into the CEO role, I look forward to sharing more of my perspective on Domino's and our long-term opportunities when we report our fourth quarter results early next year. What I can tell you today is that my confidence in the long-term potential of this business is very high. We have an iconic brand, a world-class franchise system, proven operating capabilities and talented people across the globe. My focus is simple: build on those strengths, help our franchisees grow their profits and ensure we're consistently performing at our very best. We have tremendous opportunities ahead of us, and I believe the future of Domino's is incredibly bright. With that, I'll turn the call over to Sandeep.

**Sandeep Reddy**
*Executive VP & CFO*

Thank you, Joe, and once again, a huge congratulations to both you and Russell as you step into your new roles. Let's review the results. Income from operations increased 8.5% in Q3, excluding the impact of foreign currency and minor refranchising true-up impacts related to the sale of certain U.S. company-owned store markets. This increase in operating income, which came in slightly above expectations, was primarily driven by higher U.S. and international franchise royalties and fees. It also benefited from gross margin dollar growth within supply chain that was fueled by strong U.S. order count growth and procurement productivity.

Excluding the impact of foreign currency, global retail sales grew 3.2% in the quarter. This was due to global net store growth of more than 950 stores over the past 12 months. In Q3, retail sales grew 2.1% in the U.S., driven primarily by net store growth, inclusive of 26 net new stores in the quarter. Same-store sales grew 0.3%. Our business continued to be impacted by a challenging macro environment, which is pressuring consumers. The comp reflected order count growth in our core business, along with continued growth in our aggregator business. This was partially offset by a lower average ticket. While our ticket trend improved from the second quarter, it was impacted by a sequential decline in items per order in both our carryout and first-party delivery business. We believe this was due to the challenging consumer environment. Pricing was up 1.2% in the quarter. Our carryout comp was up 1% and delivery was down 0.3%.

Shifting to our international business. Retail sales grew 4.3%, excluding the impact of foreign currency in the quarter. This was primarily driven by net store growth over the last year, inclusive of 149 stores in Q3. Comps increased 0.2% and they continued to be impacted by Domino's Pizza Enterprises. Our sales were also pressured by macro and geopolitical uncertainty across the world.

Moving to capital allocation. Through the first 3 quarters of the year, we have repurchased approximately 849,000 shares for a total of $305 million year-to-date. As of the end of the quarter, we had approximately $1.15 billion remaining on our share repurchase authorization. We continue to expect to return meaningful cash to shareholders in 2026 and beyond, in line with our capital allocation priorities. Given the current interest rate environment, we will evaluate the appropriate leverage level for the business, which is currently 4.2x EBITDA. Based on current market conditions, that could mean operating below the low end of our targeted leverage range of 4x.

Now turning to our updated outlook for 2026, which excludes the impact of the 53rd week. First, U.S. same-store sales. We continue to expect our U.S. comp to be up low single digits, but with 3 quarters of the year complete, we believe it will be towards the low end of that range. This assumes that the challenging macroeconomic and competitive environment we have experienced year-to-date continues through the remainder of the year.

We now expect our international same-store sales growth to be approximately flat for the year due to the continued pressures at DPE, which they have previously announced they do not expect to meaningfully improve until 2027. We now expect 125 to 150 net new stores in the U.S., reflecting increased pressure on our development pipeline from the macroeconomic environment and year-to-date pressure on franchisee profitability, which we are working to stabilize and return to growth.

Despite this, we continue to have best-in-class franchisee profitability and cash-on-cash returns for our new stores. With that, we see no change in our full long-term potential of 8,500-plus stores in the U.S. We continue to expect approximately 800 net new stores in our international business. We now expect global retail sales growth in the low to mid-single digits for the year, reflecting our current year same-store sales outlook.

Based on our performance through the third quarter, we currently anticipate finishing towards the midpoint of that range, although our ultimate results will depend heavily on same-store sales over the balance of the year. Lastly, reflecting these sales updates, we are now expecting operating income growth in the mid-single digits, excluding the impact of foreign currency, refranchising gains and the gain on the sale of our corporate aircraft. Thank you. We will now open the line for questions.

**Question-and-Answer Session**

**Operator**

[Operator Instructions] Our first question is going to come from the line of Chris O'Cull with Baird.

**Christopher O'Cull**
*Robert W. Baird & Co. Incorporated, Research Division*

Joe, as you kind of lap last year's Best Deal Ever promotion, how do you think about balancing between keeping value compelling with avoiding the need for increasingly aggressive offers? And are you seeing these promotions bring back lapsed customers who then return without a deal?

**Joseph Jordan**
*CEO & Director*

Yes. Thanks for the question, Chris. It is a balance. We need to get -- we've driven the order counts throughout the year. We need to balance that with improved ticket growth. Sequentially, we did that in Q3 over Q2. We need to do more of that in Q4, and that's by getting the right offers to the right consumers at the right time. So Best Deal Ever continued to work hard for us in the third quarter. We continue to evolve that promotion by introducing stuffed crust to it, getting consumers to try one of our most delicious products, and then getting them. We do see they then come back and purchase that product again, which can help on that ticket side. So it's that balance of getting trial of those products, driving some incremental occasions, but then seeing customers come back again at higher tickets. That's our goal.

**Operator**

And our next question is going to come from the line of David Palmer with Evercore ISI.

**David Palmer**
*Evercore ISI Institutional Equities, Research Division*

Great. I'm wondering how you see Domino's U.S. delivery channel playing out now that third-party delivery has been fully rolled out and might be fully in the base, so to speak. Do you see delivery growing as a channel going forward? And how do you see the trends perhaps evolving between your own on-site ordering versus what's ordered in third-party sites? I think there was a dream at one point that this bigger consumer connectivity funnel might ultimately lead to more 1P delivery and growth in that channel over time, even though it doesn't look like that's happening yet. Maybe you think that could happen soon.

**Joseph Jordan**
*CEO & Director*

Yes, David, thanks for the question. I do believe there is continued growth in the delivery channel across both 1P and 3P. So starting with 3P, as we shared on the last call, we believe we're now the #1 player on both DoorDash and Uber within pizza, but we are not anywhere near our fair share yet when you compare that to the broader QSR pizza category. So we're still seeing growth there. We believe we still have growth to go.

Very importantly, we continue to measure that incrementality very closely to make sure that we're growing our overall delivery business and not cannibalizing 1P. As we've stated in the past, we believe that to be around 50%. That continues to come in at those levels. So we'll continue to measure that. Then what we're looking at is as customers go to 3P and order us on 3P, what is their overall behavior on 3P and 1P? What is -- what's their overall pizza usage through Domino's and can we grow that? So it's about those incremental sales. We believe we can continue to do that. We've done that as we've rolled 3P. The intent is to continue to do so.

**Sandeep Reddy**
*Executive VP & CFO*

And Dave, I'll add one more thing that we said on previous calls as well. We're being very disciplined about our rollout of 3P and making sure we're focusing on incremental profitable orders, and I think that is really critical. We could have gone a lot faster, sacrificing profitability. We did not want to do that. We are not doing that, and that's our commitment going forward to protect franchisee profitability.

**Operator**

And our next question is going to come from the line of Gregory Francfort with Guggenheim.

**Gregory Francfort**
*Guggenheim Securities, LLC, Research Division*

I don't know if this is for Joe or Sandeep, but you guys mentioned just a tougher consumer backdrop. And I guess I'm wondering how that's impacting your business. Do you see that in customers choosing smaller items, small orders? Is that a drag on the check? And are there things you can do to specifically target fixing that?

**Joseph Jordan**
*CEO & Director*

Yes, I'll take that to start, and then Sandeep can jump in. In the third quarter, in particular, we saw that -- well, let me start with, we're very pleased to continue to see order count growth, particularly among low-income consumers. So the brand is still relevant, even when the pressure is on their pocketbooks. But in Q3, we believe that manifested mostly in items per order. So we had pressure on items per order, so customers were still coming to us, but managing their ticket by managing items per order. So our job is to continue to make sure we're offering great value to them. How can we drive additional items per order while still driving value with things like the lava cake that we launched in the quarter?

**Sandeep Reddy**
*Executive VP & CFO*

What I'll do is I'll just add a little bit more texture as we think through the entire year. And after the first quarter call, we talked about the sequential dip in the macro and consumer environment, and that has persisted and is expected to persist for the rest of the year. What we did not see in the first half was as much pressure from items per order. And so as we got into the third quarter, that's manifesting a lot more on our 1P as well as carryout businesses. But I think the sequential improvement that we saw in the ticket pressure is because of the actions we started taking in the third quarter. We expect that to continue as we go through the balance of the year, but the environment being what it is, is going to put that offsetting pressure on items per order.

**Operator**

And our next question is going to come from the line of Brian Bittner with Oppenheimer.

**Brian Bittner**
*Oppenheimer & Co. Inc., Research Division*

Congratulations again, Joe, on your new role. I'm just following up on this string of questions because the traffic trends appear to be strongly positive. They've been solidly positive. So I think we're all trying to figure out what the unlock is for this to translate into better headline same-store sales growth. We realize the ticket's pressured. I think we're struggling to understand, do you need to get the traffic without the promotions to drive better comp growth? Or is it more of a macro dynamic that's causing the ticket pressure that's more out of your hands? Just trying to understand maybe what is in your control because you have the traffic. What's in your control to kind of help improve check into 2027?

**Joseph Jordan**
*CEO & Director*

Yes. Thanks for the question, Brian, and thank you. We do believe part of it is obviously the macro and the pressure the consumers are under, and that's why we've been out there with a lot of value. Our competitors have been out there with a lot of value. We're not sure how long that increased activity will continue to last. But regardless, if it goes on, we're in a position where we have the profit power, the 4-wall profitability to continue to offer great value to the customers. We're continuing to drive those orders.

Those orders are, yes, as we said, at slightly lower ticket and the items per order pressure. They're still profitable orders for our stores, so that they're still working for us. But as those pressures subside, we can potentially lessen some of that value. And through things like our new website, we're working on more targeted promotions to customers to drive that item per order up over time.

**Sandeep Reddy**
*Executive VP & CFO*

And the thing I would say is this order count acquisition is critical for long-term frequency, which is the lifeblood of our business, and we must continue to do that. So I'll go back to what Joe said on the first question. It's a balance between order count and ticket. The ticket needs to be complementary, but the continued acquisition of customers through order count is absolutely critical to sustainable same-store sales growth.

**Operator**

And our next question is going to come from the line of Lauren Silberman with Deutsche Bank.

**Lauren Silberman**
*Deutsche Bank AG, Research Division*

I wanted to ask on the U.S. unit growth cut this year to the 125 to 150. Is this more a function of reduced net unit opened, or should we anticipate incremental closures? I know last quarter you alluded to a slowdown in U.S. unit growth perhaps in '27. So I guess, is this a good near-term run rate? Or do you think it could moderate further just given the pressures in the environment?

**Sandeep Reddy**
*Executive VP & CFO*

So Lauren, for some reason, the question was very muffled. Can you repeat the question again so we can hear it?

**Lauren Silberman**
*Deutsche Bank AG, Research Division*

Sure. Is this any better?

**Sandeep Reddy**
*Executive VP & CFO*

Yes.

**Joseph Jordan**
*CEO & Director*

Yes.

**Lauren Silberman**
*Deutsche Bank AG, Research Division*

Okay. Sorry. So just on the U.S. unit growth, so the cut, the 125 to 150 U.S. units, is this more a function of reduced net unit opens? Or should we anticipate incremental closures? And then I know last quarter you alluded to a slowdown in U.S. unit growth, it seemed like in '27. So is this a good near-term run rate? Or do you think it could moderate further into next year?

**Sandeep Reddy**
*Executive VP & CFO*

Yes. So Lauren, I'll take this one. I think -- look, I think on the unit growth, and I addressed in the prepared remarks as well, what we are seeing is some pressure that we started to see in the second quarter itself, and we talked about the pipeline being a bit pressured, continued to build with the pressure on franchisee profitability through the third quarter. And with so much of our store openings being very back-end loaded in the fourth quarter, that visibility continued to improve as we came into this call. And that's why, given where we are, I think we're updating to 125 to 150 stores for the year.

And I'll say, again, like the economics are best-in-class. The returns are very compelling. The long-term potential has not changed, and that's a big reason why we haven't closed too many stores over the years. I mean it's single-digit stores the last couple of years. So this is not at all about closures. This is really about the franchisees are looking up at a bit of pressure on franchisee profitability, and that's why we're focusing on stabilizing and then growing franchisee profits again.

And over time, we see that when that actually inflects and gets into the right direction, the store growth comes back. And so we feel very good about the long-term potential of the brand and the store outlook of 8,500-plus stores. This is not about closures. This is about future openings being very much in play.

**Operator**

And our next question is going to come from the line of John Ivankoe with JPMorgan Chase.

**John Ivankoe**
*JPMorgan Chase & Co, Research Division*

A direct follow-up on Lauren's question and then a separate one, if I may. So we've done 2 tweaks down to unit development in fiscal '26. That might be starting a trend, at least from my seat. So I'll ask this question directly, Sandeep. Would fiscal '27, for what you know today, see a lower number of units open than fiscal '26? I understand if you don't want to commit to a hard number, but directionally, that is something that's important to know at this point.

**Sandeep Reddy**
*Executive VP & CFO*

Yes. So John, I'll go back to the answer I just gave Lauren, right? And I think when you have franchisee profits under pressure short term, that does have an impact on sentiment and the leaning in process to open up those stores. The returns are still compelling. Franchisee demand continues to be strong over time. What I will say is, until we get franchisee profits to move in the right direction, there will be incremental pressure going forward. We're doing our budgets right now. We'll come back and update you after Q4, but that's what I would have to say on this.

**John Ivankoe**
*JPMorgan Chase & Co, Research Division*

Okay. That's fair. And then secondly, we've been seeing some renewals or lack thereof, I suppose, from DPE, one of which having to do with France, which I think was just renewed, I think, through the end of October. So can you kind of tell us kind of what your early read is on DPE? Obviously, there's a lot of master franchise agreements across a lot of disparate markets. I understand if we're not ready to kind of give a firm answer there, but just structurally, what maybe your corporation can kind of do to help stabilize and maybe reaccelerate some of the growth in that region, including what's, I guess, renewed from a market perspective, and just as importantly, what's not renewed from a market perspective.

**Joseph Jordan**
*CEO & Director*

John, it's Joe. Thanks for the question. Just a quick reinforcement on the unit question that you asked. If you go back and you look at the trends over time, you go back to '21 to '23, and you saw the pressure on profit for a couple of those years, and then you saw that profitability come back in '23, you saw the units react pretty quickly. So we are very focused on inflecting that franchisee profitability because units can turn pretty quickly when we do that. So completely aligned with what Sandeep said and just wanted to add that additional color.

On DPE, Sandeep and I were actually just over, about a month ago, with Andrew Gregory, the new CEO of DPE, in France. I am more encouraged on the DPE business than I have been in quite some time in the conversations with Andrew. They're focused on the right things. For the last couple of years, they've really been trying to cut back the promotions. They maybe had been leaning in a little bit too much on value. That ended up impacting order counts pretty significantly. Their focus now is getting on back to driving profitability through high volume. That's the right model. That's the model that has worked in our 90-plus countries around the world, and Andrew understands that, bringing a lot of experience with McDonald's internationally as well.

So I'll start with the overall -- my overall outlook is positive that they're going to be doing the right things. We'll continue to work with Andrew as we see the progress in the markets on the overall portfolio in which markets they're running. I'm confident that every market in their portfolio can be successful. If DPE can be the owner of those markets, then great. We'll work with them. And if they can get the results, I'm happy for them to keep those markets. If it's not right for them, then we'll work with them to make sure that those markets can be successful in someone else's hands.

**Operator**

And our next question is going to come from the line of Dennis Geiger with UBS.

**Dennis Geiger**
*UBS Investment Bank, Research Division*

Joe, I wanted to ask how you think about the key sales drivers for the U.S. business from here. And in particular, as you look at sort of maybe just the evolution of those key comp drivers for '27 or even more broadly as you move forward. As you guys talk about the macro backdrop specifically, do any of the levers that you pull change in importance or emphasis as you think about promos, loyalty, menu innovation, et cetera, going into '27?

**Joseph Jordan**
*CEO & Director*

Yes. Thanks for the question, Dennis. And I'll say 2 things to that. One, you mentioned loyalty. Our loyalty program continues to work really hard for us, and a big focus there now with the scale that we have on that program is continuing to move our customers up in frequency bands. We track our customers very closely and how do we get that one, that 2 incremental occasions from that customer, understanding what type of value, what type of offers we need to give them to get them coming back more often and drive that retention. So one, that's a big focus for the team.

A second one, and we haven't talked about The Domino yet, and it only launched for a week in Q3. But listen, we -- pizza is a mature category. We know that. 1% to 2% growth. How can we continue to drive outsized growth? We need to think about how we can push pizza into places that it hasn't been before and get occasions where pizza hasn't traditionally been considered. So The Domino is a first step in that direction, and you can expect to see more of that from us in both value and product innovation.

**Operator**

And our next question will come from the line of Peter Saleh with BTIG.

**Peter Saleh**
*BTIG, LLC, Research Division*

I did want to follow up, Joe, on your comment, your most recent comment. Can you guys give us a little bit of sense on how order count growth progressed throughout the quarter? And any comments you guys want to provide on 4Q given The Domino was launched late in 3Q? And then just secondly, I know in the release you mentioned advancing winning ideas faster. Can you just elaborate on that strategy and how that might be different from what you are currently doing?

**Joseph Jordan**
*CEO & Director*

Sure. So first on order count growth, that has been strong all year. We anticipate that will continue to be strong in Q4 and have, I believe, one of the best Q4 marketing programs that we've had in place in quite some time to do that. And again, it's about continuing to drive that order count growth, but also pushing that ticket improvement that we saw in Q3, ideally by getting that item per order back up and improving the trends on Q3 on that. The second half of your question, remind me the second half of the question.

**Sandeep Reddy**
*Executive VP & CFO*

Yes. So I think overall, when I think about this, what Pete's asking is what's sustainable as we move forward, right? And I think all of this is, is really building up into a comprehensive marketing program, which is designed to drive, on the one hand, order count and acquisition, and on the other hand, balancing it out with ticket. And that's why we get sustainable same-store sales growth from there.

**Gregory Lemenchick**
*Vice President of Investor Relations*

I think the second part was moving winning ideas across the franchise.

**Joseph Jordan**
*CEO & Director*

Faster. Yes. Great. See, that's why Greg asked you to only ask one question because I can't remember 2, but I'll try that one now. Yes, I think it's just -- it's focused, and it comes back to something I said in my prepared remarks. One of the things that has driven our success over the years is being closer to the consumer than, I think, certainly anybody else within QSR pizza, if not best-in-class within QSR and understanding our consumer, their needs, how we can deliver against those needs best, so that we prioritize the few biggest initiatives that we can move forward quickly on and really blow out full 360 marketing.

The Domino is another great example of that, where initially the launch was planned much later than it was. We saw the opportunity in the market. We saw some of the challenges that we were facing around ticket and with higher income consumers, and we saw the opportunity in 3P as well. So we moved that forward really quickly, working across our operations, marketing and technology teams, keeping those teams really tight and focused on the fewer most important things and deciding what those things are by being closer to the consumer is what you should expect to see going forward.

**Operator**

And our next question comes from the line of Danilo Gargiulo with Bernstein.

**Danilo Gargiulo**
*Bernstein Institutional Services LLC, Research Division*

Great. Joe, first I want to congratulate on your new role. As you're stepping into this new role, how would you define Russell's legacy? And how would you like your legacy to be defined going forward? And if you don't mind, one for Sandeep. Sandeep, I mean, congrats on the strong margin on the supply chain. I was under the impression that most of the productivity improvements were already completed, but was surprised on the magnitude of the continued cost efficiency. So can you help us understand the evolution of supply chain margins through fourth quarter and perhaps also into 2027?

**Joseph Jordan**
*CEO & Director*

Danilo, thanks for the question. And on Russell's legacy, and I'll say this nicely as he's going to be my Executive Chairman boss, but I do think he -- at the highest level, it's going to be the same. I think we both aspire to leaving the brand better than we found it. Russell did that. $3 billion more in sales. Pushing our competitors very hard. Continuing to drive our market share growth around the world. He left the brand better than he found it.

We're in a tough consumer environment right now, particularly for QSR and QSR pizza. But in spite of that, we continue to have best-in-class franchisee economics. My job now is to turn that around, get back to the profit growth along with the order count growth, continue to expand our lead, and I believe push us to compete even more broadly outside of just QSR pizza is something you should expect to see from my tenure.

**Sandeep Reddy**
*Executive VP & CFO*

Yes. And Danilo, I'm just going to add to that on the supply chain question that you had on supply chain performance. We're really pleased. I mean, it has been fantastic all year, and it continues to be fantastic in the third quarter as well. And I think on the margin drivers, we definitely saw procurement productivity. We did expect to see it this year and that's why we talked about margins expected to improve this year. But I think another layer that we did see in the quarter was some route optimization that we're doing within the centers that actually benefited us a little bit. It's a minor impact in relative terms.

But as I kind of pivot to the future, 2 things I want to say before I end on '26. All this profit improvement is shared with our franchisees, and we share all these profits 50-50 with the franchisees in the U.S. But I think as we move forward in '27, really focus on gross profit dollar growth. I think margin expansion is not really much of what we focused on. We're focusing on driving the gross profit dollar growth and sharing that growth with the franchisees in the profit sharing checks that we send them.

**Operator**

And our next question is going to come from the line of Sara Senatore with Bank of America.

**Sara Senatore**
*BofA Securities, Research Division*

I guess maybe a clarification and then a question. Joe, you said that you are going to expand to compete in other places where maybe QSR pizza hasn't historically. I think we've seen some pizza restaurants try to pursue that individual occasion or lunch. It hasn't really, I guess, come to fruition. The business seems very consistent in being very much a group occasion, a dinner occasion. Do you have any thoughts on maybe why that hasn't worked in the past and what you'll do differently?

And then the other question is just on the long-term algorithm. I think you've come in light for the last, I think, 3 years with the retail sales targets. This year will be another one, and it'll be more U.S. driven in addition to international, I guess. Are there thoughts on perhaps changing that or how you think about the rate of growth with the understanding that the total addressable market maybe hasn't changed?

**Joseph Jordan**
*CEO & Director*

Thanks, Sara. So yes, on the expansion beyond QSR pizza, I'm going to go back to my comment on understanding the consumer better and where we can compete. So again, I'll use The Domino as it just launched as kind of a flagship example of this, where we talk about this me/we occasion. The majority of QSR occasions are actually group occasions. Group occasions where consumers are individually choosing their food. Those were not occasions where pizza could compete, but where we believe we can compete. So it's understanding the opportunities like that, not necessarily the drive-thru competition where some others have gone -- tried to go and not been successful because there's some structural barriers there to compete in those occasions. We're going to understand where we can compete as a brand, both on the emotional and the functional needs that the consumer has.

In terms of the long-term guidance, listen, we -- Sandeep talked about it earlier. We continue to believe in the 8,500-plus stores. Yes, a mature category at 1% to 2%, but longer term, getting back to that 3% plus as we continue to grow share is something I still believe in for the business in the U.S. We'll talk in February about our '27 guidance, but long term, I still believe that. In international, again, outside of the DPE pressures, our markets have been performing mostly up to expectations, particularly you look at India and China and the store growth in China, remarkable, trailing 12 months. I think we still have the opportunity to grow there, and we've talked about the store potential of 40,000 there, and we still believe that. I still believe that.

**Operator**

And our next question is going to come from the line of Andrew Charles with TD Cowen.

**Andrew Charles**
*TD Cowen, Research Division*

One quick housekeeping question to get everyone on the same page. Sandeep, is the message of low end of low single-digit 2026 same-store sales, U.S. guidance 1% or more like flat to 1%? And then my real question, Joe, is the balance sheet is at the low end of the 4x to 6x stated range. I'm curious as you settle into your new role about your willingness to use the balance sheet to invest more heavily in the business via new equipment for franchisees and things like fryers to expand the menu or store remodel incentives as you look to sustain carryout strength or even an advertising injection that we've seen prove successful at other quick service restaurants.

**Sandeep Reddy**
*Executive VP & CFO*

So Andrew, I'll take that first part, and I'll probably start the second part before handing it to Joe. So on the U.S. same-store sales, what we've indicated is still it's low single digits and up low single digits, but we also said it's probably going to be at the low end of low single digits. And I'm not going to get into calculating exactly what that means, but it's on the lower side of low single digits is what I would actually leave you with.

And I think on the balance sheet piece is the use of cash is really very important to us in terms of the prioritization that we laid out at Investor Day. Nothing has really changed with that. If we see a compelling investment to make in the business, we will make it. And it's only the free cash flow that remains after making those investments in the business that we are returning to shareholders in terms of repurchases and dividends, keeping in mind the leverage on the balance sheet, which I also referred to in the prepared remarks. The environment has gotten much tougher right now with interest rates accelerating pretty significantly, and that's why we're indicating that we would be comfortable operating below the low end of our leverage target of 4x in this current environment. And so, I think, I'll leave it.

**Joseph Jordan**
*CEO & Director*

You got it.

**Operator**

And one moment for our next question, which will come from the line of Brian Harbour with Morgan Stanley.

**Brian Harbour**
*Morgan Stanley, Research Division*

I guess sort of related to that, you talked about kind of pressure on franchisee profits presumably this year. What -- it seems like there are things you have in mind that might help to improve that, I guess aside from maybe just some of the specific sales initiatives. What would that be specifically? Or what actions might you take to continue to support franchisee profits?

**Joseph Jordan**
*CEO & Director*

Yes, Brian, I'll take that one. And it's absolutely the marketing calendar and the things we're going to put in place in managing that order and ticket. But then you heard in my prepared remarks, I talked about making our best performance our everyday performance. Consumers choose us very often for consistency and convenience. That's a big part of the value that we offer to consumers. And too often, from my perspective, we are inconsistent.

There are investments, to Sandeep's point on the last question, that we are making now to improve that consistency, and we've talked about Dom.OS in the past. And Dom.OS and the orchestration agent that we are currently testing in stores will have some efficiency gains, I'm sure. But that's not why I'm excited about it.

I'm excited about the fact that it's going to drive more consistency for consumers, and we know if it does that, they're going to have better product, they're going to have more consistent service. That's going to drive better retention and frequency. We know that from the variability that we have in our stores. So by improving our operational consistency, we can also drive significant gains for our franchisees.

**Operator**

And our next question is going to come from the line of Jon Tower with Citi.

**Jon Tower**
*Citigroup Inc., Research Division*

Great. Maybe just 2 quick ones, one following up to the most recent question, and then another. On the idea of trying to get unit growth going in the U.S. again, I believe the brand does not offer franchisee incentives to build new stores. Would that be something that you're willing to consider to kind of get unit growth trending back in that direction that you'd like it to move into?

And then I guess the second question is along the lines of the order, and the items per order slipping, relative to what we've seen so far year-to-date in the third quarter. Have you -- what is the -- aside from macro, have you been able to actually drill down and ask the consumers like what they're doing? Just curious about, is this kind of early signals of potential GLP-1 implications on your business?

**Sandeep Reddy**
*Executive VP & CFO*

Yes. So I think I'll start with the unit growth. And look, I think over the years, we've had -- we've been blessed with fantastic unit economics with our franchisees, and there's been very strong demand. And -- but to be candid, we've always had incentives as well. And so that's always been part of our history and will continue to be part of our future. So that's not going to change as far as we're concerned.

So what I will say is on items per order slipping, we really believe, and that's why I said in my prepared remarks, we believe that the items per order sequentially decelerating or going down relative to the first half of the year, we think that's because of the macro and consumer environment.

And I think from a GLP-1 perspective, and I'm sure Joe will add on to this, we don't believe there's a meaningful impact to our business with what we know today. But we've continued to evaluate it because what we're really relying on was research done when the shot was widely available, but the pill was not. The pill has been more available broadly this year. And so I think we continue to study it, and we'll come back if we have more of an update on that.

**Operator**

And our next question is going to come from the line of Jeff Farmer with Gordon Haskett.

**Jeffrey Farmer**
*Gordon Haskett Research Advisors*

You've touched on it a few times on this call, but can you just level set us on what the U.S. franchisees are seeing on that store level EBITDA in 2026? And again, it's early, but any directional read on where you think that could head in 2027?

**Sandeep Reddy**
*Executive VP & CFO*

So Jeff, we're not going to quantify specifically, but clearly when we're saying that there's pressure on franchisee profitability, that means there's year-on-year pressure in terms of absolute dollars on franchisee profitability. And our objective is first to stabilize it and then to start it growing again. And that's why when Joe talked about all the initiatives that we have from a marketing calendar, getting the balance of ticket along with order count, all that is designed to actually move it in the right direction again. But more to come. We typically talk about the full year of franchise profits on the Q4 call. We will do that, I expect, and give you more color at that point.

**Operator**

And our next question is going to come from the line of Zack Fadem with Wells Fargo.

**Zachary Fadem**
*Wells Fargo Securities, LLC, Research Division*

Joe, are you planning for '27 to be more promotional or less? And I recognize long-term potential hasn't changed, but assuming the backdrop is similar, does anything about the game plan need to evolve for your comp to step higher or accelerate in '26?

**Joseph Jordan**
*CEO & Director*

Yes, it absolutely does need to evolve. It needs to evolve every year as we continue to learn and launch some of these programs into the market. So things like Best Deal Ever continuing to evolve, things like the recent bounce back that we had for our website, what's resonating most with the customers.

In terms of promotional cadence, we've commented that we've seen more of that in the marketplace, but our cadence actually has not -- our cadence, again, Domino's promotions out in the market, hasn't shifted that much year-on-year. I don't anticipate it will shift that much as we go into '27, but we have those levers. We can pull them as we go.

And again, what we're going to be looking at is, is our value in the marketplace driving customers to us, continuing to drive that order count growth that we know is so important with that right blend of driving that ticket up for franchisee profitability.

**Operator**

And our last question is going to come from the line of Chris Carril with KeyBanc Capital Markets.

**Christopher Carril**
*KeyBanc Capital Markets Inc., Research Division*

So I guess just revisiting the topic of competition, could you maybe expand a bit more on the competitive environment? And then any thoughts on the pizza category, the evolution of what's happening there with your larger peers would be helpful. And then also just, I guess, just revisiting pressure from outside of the pizza category, but any other kind of commentary around whether you're seeing, and when you see discernible pressure from promotional activity outside of pizza.

**Joseph Jordan**
*CEO & Director*

Yes. So Chris, I'll start with the question on the pizza category, and really, our focus is on our performance there, not necessarily what the competition is doing. We're still, as we talk about it, a 23-ish share in the market. We still have a lot of opportunity for growth there. So it's how can we do better within that environment. We believe, again, due to our scale, both our franchisee profitability, we can offer better value than the competition, and that will enable us to continue to grow within the confines of that, regardless of what happens with changes in ownership or changes in approach from some of the other large brands.

In broader QSR, I think 3P has been a place of interesting learnings for us. This is where we see that pizza does interact with broader QSR a lot more than it historically did. We have seen that change over time. Consumer behavior is changing. I believe that to be both on platform, on 3P and outside of that. So understanding those occasions, the value that broader QSR is offering, who we're competing with in those occasions, it all goes back to what I said earlier on, getting closer to the consumer, understanding that, understanding where our brand can play, where it might not have before, I think, gives us some really interesting opportunities to open up our TAM.

**Gregory Lemenchick**

*Vice President of Investor Relations*

Thank you, Chris. That was our final question. We appreciate everyone joining us today and look forward to speaking with you again soon. You may now disconnect.

**Operator**

This concludes today's conference call. Thank you for participating, and you may now disconnect. Everyone, have a great day.

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