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Domino's Pizza, Inc. (NASDAQ:[DPZ](#)) Q4 2024 Earnings Conference Call February 24, 2025 8:30 AM ET

Company Participants

Greg Lemenchick - Vice President, Investor Relations

Russell Weiner - Chief Executive Officer

Sandeep Reddy - Chief Financial Officer

Conference Call Participants

Dennis Geiger - UBS
Brian Bittner - Oppenheimer & Company
David Tarantino - Baird
John Ivankoe - JPMorgan
David Palmer - Evercore ISI
Danilo Gargiulo - Bernstein
Peter Saleh - BTIG
Andrew Charles - TD Cowen
Jon Tower - Citi
Christine Cho - Goldman Sachs
Chris O'Cull - Stifel
Brian Harbour - Morgan Stanley
Lauren Silberman - Deutsche Bank
Jeffrey Bernstein - Barclays
Jeffrey Farmer - Gordon Haskett

Operator

Thank you for standing by, and welcome to the Domino's Pizza Fourth Quarter 2024 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] As a reminder, today's program is being recorded.

And now, I'd like to introduce your host for today's program, Greg Lemenchick, Vice President, Investor Relations. Please go ahead, sir.

Greg Lemenchick

Good morning, everyone. Thank you for joining us today for our fourth quarter and full year results 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-K, 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

Well, thank you, Greg, and good morning, everybody.

I'd like to start with a look back at 2024, the first full year executing against our Hungry for MORE strategy. When we introduced Hungry for MORE at our December '23 Investor Day, we knew consumer spending would be pressured in 2024. We believe the QSR brands that offer the strongest value would win. And we made the right call to focus on this as we've seen more market headwinds than anticipated at the time.

At Domino's, leaning into our strategic pillar of renowned value was key to our success last year. It helped drive market share gains in QSR Pizza of about 1% in the US, consistent with our average annual share growth in 2015 and proof that our Hungry for MORE plan is working.

As we look ahead to 2025, we believe the combination of pressured consumer spending and a value-driven QSR marketplace will continue. In these challenging times, the best measure of a company's success will be the market share gains it achieves. Domino's is well positioned to do just that because we have the right strategy in place.

We grew retail sales in the US by 5.3% in 2024. Importantly, and something that continues to be unique in the industry, we drove meaningful, positive order count growth. Order count growth has been the key to delivering best-in-class economics for our US franchisees. These strong economics continued to drive store growth, which was a tailwind to market share in 2024. Orders grew on the strength of our revamped Domino's Rewards program and our entrance into the aggregator channel with Uber. In addition, we continued to see significant same store sales growth in our carryout business, up over 6% for the year.

I want to illustrate how we drove these results through the lens of our Hungry for MORE strategy. The "M" in Hungry for MORE stands for "Most Delicious Food." Domino's has the most delicious food in the industry, and in 2024, we demonstrated this through our two successful new product launches, New York Style Pizza and Mac & Cheese Pasta. These launches reflect the commitment we have to our innovation with intent approach.

There is a clear purpose behind any product we bring to market. We brought news to an existing non-pizza platform with Mac & Cheese, and we added a new pizza crust type for customers who prefer an offering we didn't have in our portfolio with New York Style. In 2025, we plan to continue to build on this momentum by launching at least two new products, which is our annual goal.

An important component of our strategy is how we showcase our food. We've enhanced this through the food photography and our creative and upgrades to our existing e-commerce platform, where our team made meaningful changes in 2024. We've also completed the development of our new e-commerce platform in the US, which we intend to roll out during 2025. The new site and app provide an improved user experience for our customers, while highlighting the deliciousness of our food.

The "O" in Hungry for MORE stands for "Operational Excellence." This is how we deliver on our promise to have the most delicious food, by consistently driving a great experience with our product and service. 2024, we rolled out our new service program called More Delicious Operations. This program was a series of three product training sprints focusing on dough management, how we build and make our products and how we bake them. These product sprints work together with our Dom.OS technology to drive improvements in our delivery times. In fact, our average delivery times decreased by two minutes over the last two years.

Operational excellence also brings focus and innovation around making our stores easier to operate. This is an area where we've made significant strides. We've enhanced our Dom.OS operating system and have found ways to roll technology out across our system much more quickly than we have in the past. We've now rolled out 1,600 DJ dough stretching machines across the US, more than a 50% increase from where we were at the end of Q3. Demand continues to be high for this equipment because of the impact it's having on our product consistency and the speed to competency for new team members. I want to thank our franchisees and our operations team for their continued effort to achieve operational excellence. This is a point of pride and differentiation for Domino's.

The "R" stands for "Renowned Value." From tipping our delivery customers to launching MOREflation and bringing back Emergency Pizza, we launched several brand-building value initiatives that broke through the industry clutter in 2024. We will continue to drive renowned value in 2025 through national promotions, Domino's Rewards and by continuing to grow on aggregator platforms.

In 2025, Domino's will give customers what they are demanding from their QSR brands: more value. We have a strong slate of initiatives, primed and ready to go. You can expect a similar cadence of Boost Weeks and value-driving promotions as we believe it's going to be another challenging year ahead in the industry.

Domino's Rewards program had a great first year and continues to bring members back for repeat purchases. We grew our overall active members significantly in 2024, finishing the year at 35.7 million users, up approximately 2.5 million versus 2023. Part of this growth was delivering more light users and carryout customers who are the primary target of the redesign. This strong base of users will allow us to engage more customers and drive frequency with targeted and personalized marketing efforts.

While providing value through our own channels is one part of our renowned value barbell strategy, tapping into the aggregator marketplace is the other. In 2024, we successfully entered the aggregator space with our partnership with Uber, achieving our goal of exiting the year at 3% of sales coming through this channel. And importantly, incrementality has continued to track as expected, and we remain focused on tailoring our offers and programming to optimize it further.

In 2025, we know that aggregators are a meaningful sales driving opportunity for us, and we have yet to join the largest aggregator platform in the US. We've extended our exclusivity arrangement with Uber until May 1. In the meantime, we've begun negotiations with additional aggregator partners and have the ability to begin piloting with other partners in a small number of stores. It is our intention to further penetrate this channel in 2025 with a meaningful impact expected in the back half of the year. We believe that this channel represents an incremental sales opportunity of \$1 billion over time. The aggregator marketplace is the fastest growing segment within QSR Pizza, and we are just getting started.

Everything we do at Domino's Pizza is enhanced by our best-in-class franchisees. In 2024, we added almost 60 new franchisees to the system and have a pipeline of 120 future franchisees waiting for their opportunity. Every one of these new franchisees started as a Domino's team member, and they remain the secret sauce to our success.

In summary, we're laser-focused on delivering against our Hungry for MORE goals in the US. With the plan we've developed, I believe we will deliver US same store sales growth of 3% or more annually, along with 175 net new stores. This will enable Domino's to continue to capture additional market share gains in 2025 and beyond.

Now, shifting to our international business. Domino's International showed strong improvement in the fourth quarter and has now delivered a remarkable 31 straight years of same store sales growth. We're pleased with how most of our franchisees internationally are navigating the continued macroeconomic pressures and geopolitical issues across the globe. Our team continues to work with our international master franchisees to create momentum in their markets even in the face of these headwinds.

We know what works in today's challenging environment and its renowned value. As we noted on our last call, we're engaging with our master franchisees with a focus on three key areas. These areas are around consistent value messaging, maximizing orders from aggregators, and driving additional growth in carryout and dine-in. The good news is that we've begun to see some results due to this focus.

Canada ran an Emergency Pizza promotion in Q4, and that's been a strong traffic driver for them. In India, Jubilant has driven sales through increased delivery orders after eliminating their delivery fee. UK and Canada have launched with Uber, and this has provided a tailwind to their sales. Lastly, Mexico saw a nice increase in their carryout business in 2024 as they provided a premium product in pan pizza at a compelling price point, driving consistent value for customers.

Our international business has so much potential. And by focusing on our Hungry for MORE strategies, we expect to create sales momentum that will produce the same kind of market share gains and net store growth we've achieved in the past.

In closing, I want to reinforce the same message I repeatedly share with our team. We have always been in the business of creating our own tailwinds and driving share growth. That has been and will continue to be how we drive best-in-class results and long-term value creation for our franchisees and shareholders.

I'll now hand the call over to Sandeep.

Sandeep Reddy

Thank you, and good morning, everyone.

While our full year 2024 financial results were impacted by a more challenging backdrop than we had initially anticipated, we still delivered profitable growth of 8%.

Income from operations increased 6.5% in Q4, excluding the impact of foreign currency, which was in-line with our expectations despite lower US same store sales than we expected. This increase in profits was primarily due to gross margin dollar growth within supply chain, driven by procurement productivity, as well as lower general and administrative expenses, which was driven by the retiming of investments.

Excluding the impact of foreign currency, global retail sales grew 4.4% in the fourth quarter from positive US and international comps and global net store growth. For the year, global retail sales grew approximately 6%, which was in-line with our updated guidance.

In Q4, total retail sales grew 2.3% in the US, driven by net store growth and same store sales of 0.4%. These comps were driven by carryout up 3.2% and delivery down 1.4%. The delivery comp was impacted by continued macro and competitive pressures that put pressure on our low-income customers. We benefited from 2.3% of pricing, which was inclusive of high-single-digits in California and our sales mix from Uber was 2.7% for the quarter. Our tailwinds were partially offset by a higher carryout mix that carries a lower ticket than delivery.

Traffic was flat for the quarter, which was partially driven by a slight headwind as a result of New Year's Eve timing. For the year, delivery represented 46% of our transactions and 57% of our sales, while carryout represented 54% of our transactions and 43% of our sales. The rate of sales and transactions shifted slightly more to carryout in 2024 because of the strong carryout comp we had of 6.2%. The full year delivery comp was up 1.1%.

Our estimated average US franchisee store profitability in 2024 came in at approximately \$162,000, which we continue to believe is best-in-class. After a strong start in the first half of the year, the combination of macro and competitive pressures that impacted our sales in the back half weighed on this result.

Shifting to US unit count. We added 84 net new stores in Q4 and opened our 7,000th store, bringing our US system store count to 7,014. Our Q4 openings were negatively impacted by some of the hurricane activity that took place late last year.

Moving to international, where total retail sales grew 6.4%, excluding the impact of foreign currency in the fourth quarter. This was driven by net store growth and same store sales that came in slightly ahead of our expectations at 2.7%. In the quarter, we saw improvements in Asia that were driven by strong comps in India and broadly across Europe.

Despite a challenging macro backdrop that impacted our international business, our franchisees grew their average per store profitability in 2024 and slightly reduced their average new store paybacks as a result. We also continue to see strong paybacks in our two largest growth markets, which are China and India.

As we look ahead to 2025, we continue to believe that global retail sales growth should be generally in-line with 2024. Now, to give some color. We are expecting our US comp to be in line with our 3% long-term guide as a result of our expected traffic-driving catalyst in aggregators and loyalty. In the event that macro pressures persist throughout the year, it could put pressure on achieving this number. We also expect that based on the timing of certain initiatives that our comp will be lower in the first half compared to the back half in the US. We continue to believe planning for approximately 1% to 2% international same store sales growth in 2025 is the right expectation before we return the business to a more normalized level in 2026.

Shifting to net stores, we continue to expect 175-plus net stores in the US, and we have a strong pipeline heading into the year to achieve this. Internationally, we are expecting our net store growth to be in-line with what we have in 2024. This is primarily due to impacts from Domino's Pizza Enterprises, DPE, which is our master franchisee based out of Australia.

DPE continues to make meaningful progress into what they need to do to their business as they work through their strategic plan under their new CEO. They recently announced that they are expecting to close an additional 200-plus underperforming stores, primarily in Japan. They're also planning to be more disciplined in their new store openings by prioritizing locations where they can drive sustainable profitable growth for the long-term. We believe that the meaningful impacts from DPE's closures will be behind us as we head into 2026.

On profits, we continue to expect an operating profit growth of approximately 8%, excluding the impact of currency. A few additional points of color on the P&L. Any metrics we are providing today exclude any impacts from the proposed tariffs. In our US supply chain business, we source most of our food products from within the country, so we are not expecting this to have a meaningful impact if tariffs are put in place.

We are expecting our food basket to be up low-single-digits. Expect increases to be higher in the first-half than the second-half, primarily driven by cheese prices. We are expecting our supply chain margins to expand slightly year-over-year due to continued procurement productivity that the team continues to do an incredible job executing on. We are expecting our G&A as a percentage of retail sales to be approximately 2.4%. Starting at the beginning of Q1 2025, we have increased the technology fee by \$0.02 to \$0.375 per digital transaction to fund our future tech initiatives to drive growth.

We are expecting operating income margins to expand slightly in 2025, primarily driven by supply chain margins. Expect margin growth to be lower in the first-half of the year than in the second-half. At current exchange rates, we are expecting foreign currency to be a headwind of approximately 1% to 2% on operating income growth.

We continue to plan for our debt maturity in October of this year and, at current interest rates, it would result in some pressure on interest expense. We expect our tax rate to be in the range of 21% to 23%, which is generally in-line with where it has been historically.

Our belief in the long-term algorithm of what the Domino's business can and should achieve has not changed. We continue to expect that our algorithm of 7% or more annual global retail sales growth and operating profit growth of 8% or more is the right one. However, the anticipated impact from DPE's additional net closures in 2025 will put pressure on our 2026 global retail sales and profit expectations, which we now expect to be in-line with 2025.

To close, I wanted to note that this morning, we announced a 15% increase in our dividend, which was done in line with our capital allocation priorities. We also repurchased approximately 259,000 shares at an average price of \$433 for a total of \$112 million in the fourth quarter. As of the end of 2024, we had approximately \$814 million remaining on our share repurchase authorization.

Thank you. We will now open the line for questions.

Question-and-Answer Session

Operator

Certainly. And our first question for today comes from the line of Dennis Geiger from UBS. Your question, please.

Dennis Geiger

Great. Good morning. Thanks, guys. I wanted to ask a bit more on the 2025 guidance for the US same store sales. I guess, specific to the comments around lower first-half versus back-half and I think commentary around the aggregators and loyalty being the biggest drivers, could you just kind of unpack some of the sales initiatives, those two, in particular, and maybe how you're thinking about new product innovation in '25 at a high-level excitement versus prior years with those two items that you called out? Thanks, guys.

Sandeep Reddy

Hey, Dennis. Good morning. How are you doing? So, Dennis, I think on the question on the guidance and the back-half versus the first-half cadence, I think we -- in Russell's prepared remarks, we talked about the aggregator platform specifically that we've started negotiating with potentially other partners and that the meaningful impact would come more in the back half from aggregators. I think so that's one piece of it in terms of the weight.

And I think the other piece of it is really, we have a bunch of initiatives that we have in our marketing calendar. And as you've seen, we weren't shy about rolling out a whole bunch of them in '24. Similar plans in '25, you know Best Deal Ever, has just been launched earlier this quarter. So, there's a whole much more that we're waiting to surprise our competition with.

So, I'm not going to give you more details on that, but that's kind of how the back-half versus front-half commentary was built.

Russell Weiner

Yeah. And I think just in general, when we're asked -- by the way, good morning, Dennis, sorry. When folks talk to us about what drivers are in the business, obviously, we're not going to give specific information, but if you want to know what our recipe is, it's Hungry for MORE. And so for example, if someone were to ask me in last quarter, what are you going to do in Q1, what's going to be different? Well, I wouldn't tell them we're doing a \$9.99, any Best Deal Ever promotion. But that idea really came out of the strategy of Hungry for MORE. So, the specifics are going to change. We need to keep you guys on your toes. But the drivers behind them are going to be borne out of the Hungry for MORE strategy.

Operator

Thank you. And our next question comes from the line of Brian Bittner from Oppenheimer & Company. Your question, please.

Brian Bittner

Thank you. Good morning. As it relates to the 2025 guidance, it does still assume softer international expectations, which you established on last quarter's call with international same store sales in that 1% to 2% range instead of the 3%-plus long-term range. And you did reiterate this view in your prepared remarks this morning, but I'm curious if your international thoughts for 2025 have changed at all over the last several months. I mean, your 4Q comps were stronger-than-expected. We're also seeing better international trends out of a lot of your peers. So, I'm just curious if this is starting to tilt conservatively possibly, or anything else you can add.

Russell Weiner

Good morning, Brian. I'll start off, and Sandeep, feel free to add. Like you said, Q4, for the competition as well, some of the headwinds seem to be dying down a little bit. We're not going to make a flip after one quarter. We were pleased with our quarter as well.

What I look at are the things that we can control, and there, I am pretty happy. We gave a bunch of -- I'm not going to go through them again, but in my opening remarks, I gave a bunch of examples of how around the world, we're taking the renowned value part of Hungry for MORE and we're translating it into some of these international markets, and we're seeing results.

We've talked about having to do three things to drive international same store sales, and I think we're really beginning to do that. The first is making sure that our price points are at or below CPI. Second is making sure we're leveraging aggregators. And the third, just like we've diversified beyond delivery while still driving delivery in the US, we need to do that in international markets.

So, happy with Q4. And as we get more information, if we will update that number, we'll let you know.

Sandeep Reddy

And what I will add, Brian, is, I think, in terms of the guidance on same store sales in particular, I wouldn't say this tilts conservatively. It is a very tough macroeconomic environment out there. There is a lot of volatility that's out there. And that's all been taken into consideration both in terms of what we said in Q3 -- on the Q3 earnings call as well as what we're seeing right now. So, we'll continue to drive into the renowned value initiatives that Russell talked about, but I think the expectations really have not shifted materially since the last call.

Brian Bittner

Okay. Thank you.

Operator

Thank you. And our next question comes from the line of David Tarantino from Baird. Your question, please.

David Tarantino

Hi, good morning. My question is on the US unit growth. That number, I guess, missed your target for 2024. And I was just wanting to ask your degree of confidence in getting to the target for 2025. I guess, any way you can frame up the pipeline or your degree of, I guess, assessment of enthusiasm in terms of building new units would be great. Thanks.

Russell Weiner

Thanks, David. Yeah, I think Sandeep, in his remarks, talked about some of the hurricanes at the back part of the year impacted our net openings. Otherwise, we would have been essentially there. What I'm really happy about is also just how we've done relative to the kind of competitive pizza places, even in a year maybe where we didn't hit. And so, if you look at our competition as far as public companies, you add up the number of stores -- net stores that they've opened, and we were several multiples higher than that. So, we've got more to do. The hurricanes hurt us a little bit, but net-net, we're still gaining more share in the US, and that's what this game is all about.

Sandeep Reddy

Yeah. And I would just add to that, David, our economics are still very much best-in-class. The paybacks are extremely compelling. The demand for new units continues to be very strong. And with the share that we continue to build, we are in a stronger and stronger position, not just against the national competitors whose data you actually hear about, but against the regional competitors and the local players as well. So, we are super confident that the pipeline is -- that we see is very realistic.

Operator

Thank you. And our next question comes from the line of John Ivankoe from JPMorgan. Your question, please.

John Ivankoe

Hi, thank you. There's, obviously, been a lot of attention around price points under \$10, the \$6.99 specials and obviously what's currently pretty incredible large unlimited topping for \$9.99. So, the question was really kind of around that \$10 price point. Is the brand in a position to where you can drive significantly interest promoting a pizza whatever the number might be, \$12, \$13, \$14 or for whatever reason, might the brand have some kind of natural cap around the \$10 number where consumer really getting a lot of interest around a higher nominal price point, not value, but higher nominal price point that might otherwise constrain them?

Russell Weiner

Hey, John. Yeah, one of the things that you'll see in this promotional environment, and we knew this when we set out Hungry for MORE and we said we were going to dive into renowned value is that price is important. And frankly, there are a lot of folks doing similar promotions that we do. We had \$6.99, and other folks have done \$6.99 We had Emergency Pizzas, there have been BOGOs.

You talk about price points, for me, the thing and Sandeep talked about this before, is for us it's sustainable. When you look at the economics for our franchisees, they're able to sustain these types of price points and we saw same store sales for other pizza players, which were not in-line with where Domino's are. So, if you got similar promotions and you've got lower same store sales, the economics are not going to be good.

And so, we've got -- when you look at the scale of Domino's, our ability to drive volume through our high share of voice and drive cost down through our supply chain, that's what enabled us to do that. \$10 or \$9.99 is a good price point right now. We're going to continue to pivot to keep consumers interested in Domino's, but the big thing that's different about us is that this is sustainable as part of our strategy.

Operator

Thank you. And our next question comes from the line of David Palmer from Evercore ISI. Your question, please.

David Palmer

Thanks. If I had to summarize perhaps what investors are excited about and concerned about, I'd say they're excited about the potential on this -- on the DoorDash expansion of marketing there, excited about Stuffed Crust, the potential to roll that out, but they're concerned about the long-term same store sales growth beyond these types of initiatives, given what if they would back out from Uber Eats from the fourth quarter, and they think, gosh, the underlying trends are troubled for pizza delivery, particularly 1P. So, I'm wondering, when you think beyond '26 or through '26 and beyond about your 3% domestic comp growth target or thereabouts, what are some things that you think might ramp up in terms of its growth contribution that would give people comfort at this point that you could do that without some of these other things perhaps in that given year. Thanks.

Russell Weiner

Thanks, David. Yeah, we get that question a lot, which is, hey, what's coming up in future years that makes you think that you could sustain what you've done -- what you're doing. And obviously, we're not going to go into particular programs, but this brand has a track record. This team has a track record. And kind of 1 share point plus a year has been what we've delivered. Without sometimes getting into the specifics of what we're doing for competitive reasons, I don't think you'd want us to, but I said this earlier, I'll bring it up again. If someone were to ask me, hey, last year, what do you got coming in Q1? I wouldn't be telling them we've got Best Deal Ever, but I'd be telling them the answer would come out of our strategy of renowned value.

And so, I've been with this company 16 years. And essentially, the track record has been pretty solid without us giving forward-looking information. So, if you want to know what we're doing, obviously, you talked about some of the big ones, expanding on the aggregator platforms is a big one. If you think about what our Q4 number would have been had we been on all the aggregators, you're completely right there. Loyalty is a multiyear gain for us, like we showed with the first loyalty program. But you're going to see a company that continues to bring best-in-class ideas that are differentiated based on our strategy, and we've got to track of doing that.

So, not going to get into specific numbers other than to say -- or specific names of programs, other than to say we've done it and we're going to continue to do that moving forward.

Sandeep Reddy

And Dave, I'll just add over here, like, when we talk about the aggregators specifically, when you think about 2026, Russell talked about the long-term and all the things that we can do, if we're talking about really looking at something post May 1 and we have a meaningful impact in the back half, obviously, there's an annualization impact that comes from the aggregator platform if we actually do that.

And then, I think there's more tailwind. The fastest-growing segment of the Pizza QSR space is the aggregator. And to Russell's point, we went on there fully in Q4 of '24, and there's a lot more growth to come from there. And I think, given loyalty, like Russell talked about the multiyear compounding impact, the really cool thing about loyalty, the \$2.5 million incremental -- 2.5 million incremental loyalty members that we've gained, these are light users and carryout users, and that becomes a huge flywheel, because now we've captured them into a database and we can start marketing them to drive incremental compounding impacts.

So, this is going to be a big flywheel, and we're really thrilled about the carryout mix in the business as well. It's very compelling. It's very strong. You combine that with the number of loyalty members that we've gained, more growth to come. And so, the catalyst that we talked about are very consistent and they're multiyear drivers.

Russell Weiner

And I think, too, just to add is when you -- if you listen to some of the commentary we've got over why we're able to sustain what we've been able to sustain over the last decade plus, we've talked about building scale, right, and the scale we've got in share of voice, the scale we have in supply chain, that gets grown through same store sales, right? So, in another year where we're winning on same store sales, another year, we're winning on stores, stores let you drive more markets there, stores let you keep competitive stores from opening. All of that actually kind of snowballs and drives more momentum for the future. So, all the stuff that we said has worked for us by continuing this flywheel, essentially becomes more offense for us in the future.

Operator

Thank you. And our next question comes from the line of Danilo Gargiulo from Bernstein. Your question, please.

Danilo Gargiulo

Thank you. Sandeep, I think you're showing some -- you're displaying some very solid cost discipline also in 2024, both on the supply chain as well as on the G&A side. You were talking about some shift in timing on some of these investments. So, can you help us understand which investments have been put out? And then, to the extent that the retail stores were to come in a little bit softer in 2025, softer than your expectations, do you still have room for optimizing G&A, or do you think that the guidance that you gave today already includes all the opportunities that you have over there? Thank you.

Sandeep Reddy

Yeah, Danilo, thank you for the question. I think it's a really good one in terms of how we're thinking about the business and how we've pivoted. If you go back to the prepared remarks, we said that 2024 was a year where sales didn't really track to what we initially expected at the beginning of the year. And despite that, we found agility in the P&L to actually drive the 8% operating income growth that we were targeting.

And a couple of things that actually helped us in 2024. Procurement productivity, fantastic from the supply chain organization. They've done a really terrific job. And that's a flywheel that continues to run. We expect more of that in 2025 as we look forward to that. And then, I think in terms of timing of investments, I talked about this even earlier during the third quarter call, I think, where we had three different buckets of investments, specifically in G&A. We had consumer technology, store technology and capacity investments. I think on the capacity investments piece, I think based on the way the volumes were going, we're able to retime that a little bit and actually that's part of what's in the numbers. When we look at how '25 is built up, we actually do have that framework as we're looking at it, but we want to make sure that we are pacing our investments appropriately with where sales are going. We've demonstrated through 2024 that we're able to pivot if there is a shift a little bit in terms of what the sales momentum is, and we have a lot of confidence in that in 2025 as well.

Operator

Thank you. And our next question comes from the line of Peter Saleh from BTIG. Your question, please.

Peter Saleh

Great. Thanks for taking the question. I wanted to ask about the third party. I mean, you exited 2024 near the 3% target on Uber Eats. Are you still on track for the \$1 billion of incremental revenue by the end of 2026? And what if anything have you learned from the Uber Eats partnership over the past, call it, year, five, six quarters now that maybe informs how you'll do things differently when you expand to another third-party partnership in 2025? Thanks.

Russell Weiner

Yeah, thanks, Peter. Yeah, we're still bullish on this being a \$1 billion opportunity for us. The timing may have -- is going to be pushed out a little bit, and that's really because we have purposely managed this for as high of incremental volume as we can. And so, once we get on some of the other platforms, obviously, we'll continue to grow there.

I think what we've learned with Uber is a couple of things. One is how to optimize the marketing. So, one of the reasons I've talked about kind of the \$1 billion maybe taking a little bit longer to get to is we've learned how to optimize incrementality. And so, we're not going after all the volume right away. We want this to grow over time and be incremental and accretive to the profitability of our franchisees. So, we've learned how to do marketing better, I think, on this platform. And then, just technology integration, I would expect that if we were to go on another platform that the tech integration would be quicker than it was when we were doing it from scratch.

Operator

Thank you. And our next question comes from the line of Andrew Charles from TD Cowen. Your question, please.

Andrew Charles

Great. Thank you. I wanted to ask about the \$162,000 of US store level cash flow in 2024. It trailed the initial \$170,000 target issued at the December 2023 investor meeting. So, I'm curious if the shortfall was versus the original expectation, was that strictly sales or some other driver there?

And then, Russell, can you also address to just franchisees' conviction and prioritizing renowned value to properly go to sales just given the shortfall in '24 of franchisee store-level cash flow?

Sandeep Reddy

So, I'll start on the first part on the store cash flow, Andrew. So, look, I agree, I mean, I think when we started the year, in 2024, we're expecting \$170,000 of store cash flow, and we finished up with \$162,000. And candidly, on the first half of the year, we were tracking. We were tracking where we were expecting. But as we kind of moved into the second half, you saw the sales softness that came in, in the third quarter, we talked about it, the macro environment plus the competitive pressures really started weighing on sales and then profits as well with the promotion intensity that was building. And then, when you got into Q4, it just accelerated. And if we look at where the comp trends went and the intensity continued to be heavy, and on top of that, we had a 4.4% food basket in the fourth quarter. So, that actually didn't help from a cash flow perspective either.

So, all that is to explain what happened in terms of the cadence of the cash flows. However, the important thing and this was really critical, we grew about 1 point of market share in the year. And that is critical because you take that market share growth, you take the loyalty membership, which grew by 2.5 million members, and then you look forward into '25, with our scale advantage that we have, whether it's in marketing, whether it's in digital, whether it's in the supply chain side, we have a lot of catalyst to drive continued growth, not only in cash flows, but I think overall in terms of share growth as we move into '25.

Russell Weiner

Yeah. And Andrew, I guess I'd add to that, our franchisees are pretty special. They're fully invested in Domino's. They don't run any other restaurant chains. This is their business. And they are competitive folks. And actually, they're in it for the long-term, because of this being their primary business.

And so, what they saw this year was -- I'm sorry, this year, meaning in 2024, I apologize, 2024, was similar promotions, right, with some of the competition, but sales hire for us, stores hire for us, share hire for us. And so, they know what the P&L looks like on lower volumes. And if they're in it for the long-term, if you're holding your own on profit and you know you're negatively impacting the competition, that's a good thing.

And this is not me just talking about sentiment. I'd say the franchisees are talking with their actions because one of the things that they approved well into the quarter so they knew where things were going was this \$9.99 any promotion, this Best Deal Ever. And so, they're going to -- if they had any qualms about continuing to lean in, you wouldn't see literally what is our Best Deal Ever in market. And similarly with store growth, the store growth signs are there.

So, it was a -- it certainly wasn't a year where we delivered what we said we would, but I think they're in it for the long-term, we're in it for the long-term. It was still a win in 2024 for Domino's Pizza.

Operator

Thank you. Our next question comes from the line of Jon Tower from Citi. Your question, please.

Jon Tower

Hey, great. Thanks for taking the questions. Good morning. I was just curious if you could dig a little bit into the international unit growth. And I understand the headwinds that the business will be facing in '25 from the Australia master franchisee closure, but what -- can you speak to maybe the confidence you have in this reaccelerating in '26? And specifically, do you have any other global master franchisees where you see potential for potential market consolidation in store closures over the next 12 months or so?

Russell Weiner

Yeah. Let me...

Sandeep Reddy

Go ahead.

Russell Weiner

Why don't I start it and you continue. Look, I think the 200 closures by DPE by the end of the year, I think those closures will be behind us. What I want to make sure that I focus everyone is our two largest growth markets, China and India, remain on track. China opened up 240 stores last year. They're talking now 300 to 350. And so, the growth in the rest of the system is really strong, and the DPE closures by the end of the year I think will be behind us.

Anything to add?

Sandeep Reddy

Yeah. I think what I will say is you probably heard in the prepared remarks, I talked about the international store profitability improving slightly despite the pressures that we're talking about on DPE and paybacks improving. The paybacks are obviously very, very compelling in China and India that Russell just talked about, but they're very good outside of China and India as well. Even if you look at the portfolio outside of DPE, and even DPE, I think we're looking at all the actions that are being talked about by the DPE organization to prune the portfolio, the 200-plus stores that they're going to close this year. The commentary from their CEO is to be very focused on profitable, sustainable growth from their portfolio.

So, all of this augers very well for 2026 and beyond because I think we're looking at very healthy growth. And invariably, store economics are going to be the leading indicator of what is going to happen with unit growth and we're definitely on the right path on this.

Operator

Thank you. And our next question comes from the line of Christine Cho from Goldman Sachs. Your question, please.

Christine Cho

Great. Thank you for the chance to ask questions. So, I think you mentioned 1,600 dough stretchers at the end of fourth quarter, which is up meaningfully, but still in roughly a quarter of your stores in the US. So, I'd like to understand what are some of the key inhibitors on a more accelerated rollout and any metrics that you can share on the impact to the overall store operational efficiency? Thank you.

Russell Weiner

Yeah, sure. Right now, really just the impact on why we don't have more is we're just trying to ramp up supply. Demand is higher than supply, and that means, the thing is working. Metrics, the one that I'd like to point on is, usually if we bring somebody new onboard, it takes them about 25 shifts in a store to get to kind of, call it, speed of competency to stretch dough. With DJ, it's two shifts. And I don't even think it's that long, but that's all that Sandeep is letting me say, is two shifts.

So -- but what I want to do is take a step back and make sure you guys understand that dough stretcher is just one piece of it. What we did, and this was really coming out of COVID, we said, we got to get better at what we're doing. We have to reinvent our circle of operations, both the physical plant, but also technology. And so, you look at what we've done, which is improved Dom.OS, reinvent our circle of operations, two straight years of programs concentrating on training our franchisees. We had Summer of Service two years ago, and then, last year, we had Most Delicious Operations, that training.

Net-net, a couple of things. One is our delivery times have improved by a couple of minutes. And secondly, in our team USA stores, turnover is lower. So, if you've got a new circle of operations that makes it better for your team members and you're delivering better to your customers, I think that's a win-win.

So, I know the question was about DJ, but I just want to take a step back and say DJ is part of an overall approach we've had over the last three years to improve operations.

Operator

Thank you. And our next question comes from the line of Chris O'Cull from Stifel. Your question, please.

Chris O'Cull

Yeah, thanks for taking the question. Russell, you mentioned the rollout of a new e-commerce platform this year, including new app and site. Can you just provide some more information of what those changes will entail both from a consumer-facing side and then also kind of a back-end for the business side? And then, are you expecting a meaningful improvement, let's say, in conversion rates following these changes?

Russell Weiner

Yeah, Chris, so let me talk to you about how we're doing the rollout. First is the site built. We finished building it last year. And you talked about conversion. That's kind of what we're doing now. And so, we're slowly showing more and more people the site, letting them order on the site. And then, what we do is when there are pieces of conversion that are flat to positive, we'll roll that. If things we need to change, we'll go back and fix that. This is obviously -- it's a huge website. And so, 0.1% of conversion loss is an issue. And so, what we see in 2025 is this is going to be a year where we're rolling this out at a fast pace as we can to make sure we're continuing to support the business in the right way. Probably the apps will be a little bit later than the website, but all should be out this year.

If I were to highlight a couple of things on what consumers will see, it takes most delicious food up a level big time. I mean, we've already fast forwarded some of the new food photography onto the old website. But just the layouts and all that are -- people buy with their eyes first, and so I'm excited about that. A lot of the user flows are just we've taken steps out of the user flow, and things are much more intuitive.

The app was -- we brought up a long time ago. A lot of things have changed. A lot of things that were frankly common among other apps, we didn't have. Also, our carryout business is much bigger than it was when we developed the original website. And so that, which was kind of an afterthought in our first website, won't be there in this. This will be a great carryout experience.

And then, on the back end, when you talk about integration into our systems, when you talk about personalization, when you talk about speed, all of that is the reason we're confident about the new website.

Operator

Thank you. And our next question comes from the line of Brian Harbour from Morgan Stanley. Your question, please.

Brian Harbour

Yeah, thanks. Good morning, guys. Sometimes you've talked about kind of carryout versus delivery share. Was the 1 point gain consistent across both of those in 2024? And I guess just as was sort of implied earlier, right, excluding kind of the Uber contribution, I mean, underlying delivery is obviously still kind of the softer spot. Is your expectation that that doesn't change too much into this year, or is there some pickup there? And where do you think kind of that business is going to?

Russell Weiner

Yeah. So, Brian, first, the market share gains were both in carryout and delivery. And we continue to think we're going to have balanced growth moving forward. You're right about 1P being a little bit where the softness was. There, it's people switching to eating at home. And so, 3P for us is new. Once we get into that, obviously, all those consumers in those marketplaces are new. But delivery is a tougher value right now in this value-conscious world. And so, the choice though isn't going to another restaurant most of the time, it's eating at home.

Sandeep Reddy

And Brian, I think you didn't specifically ask this, but I think you brought up something which I think is super important. As we think about '25, we expect balanced growth between delivery and carryout. We expect balanced growth between ticket and transaction as well. And I think that's super important to actually think about as you're putting together your models. And we will continue to stay very disciplined on pricing. You saw, in spite of actually taking the high-single-digit pricing in California, we really were in the low-single-digits in '24 in pricing. Expect much the same in terms of pricing disciplines in '25. So, we continue to build on our advantage on renowned value and drive for more market share.

Russell Weiner

Yeah, Brian, one of the things I should have said as well is, looking forward, especially when we're on all the delivery platforms, our delivery business is going to be -- that's how we're going to report on delivery business. Our delivery business is going to be 1P and 3P. And if you remember the way we priced and the way we're managing franchisee profitability on some of these new channels, we want to meet consumers where they are. And if this is where they want to be, it's going to be a profitable transaction for customers. So, I understand the questions on 1P. I really would, though, especially as in the back half of the year, start thinking about our delivery business as one business. That's how we're approaching it.

Operator

Thank you. And our next question comes from the line of Lauren Silberman from Deutsche Bank. Your question, please.

Lauren Silberman

Thanks for the question. So, it's been reported that you plan to launch Stuffed Crust soon. I think most investors expect it in the next month or so. I guess, how are you thinking about balancing the timing of a high volume LTO with potential additional delivery partners? And on that point, it sounds like you may not willing to be confirming a specific LTO, but can you help us understand whether this is already contemplated in the 3% guide and what you're expecting in the first half being a little softer? Thank you.

Russell Weiner

Yeah, sure. A few questions there. I think, in general, your first question or your first sentence you talked about LTOs, I'm not saying we'll never do LTOs, but we do a lot of work. I talked about innovation with intent in my opening remarks. Our desire when we launch something is to get the long-term ROI, you need to keep the thing long-term. So, if you look at what we did last year with New York Style Pizza, on the pizza end, we brought in a crust type that we didn't have. And then, with Mac & Cheese, we brought news to pasta that we launched in 2009. And by the way, that news helped us keep pasta volume while we took a couple of SKUs out of that clean up that business a little bit.

You're not the first person, believe it or not, who has asked them how Stuffed Crust. And look, I'm not surprised. We're the #1 pizza company in the world, and it's one of the biggest crust types out there, and we don't have it. We don't have it in the States. We do have it in other markets. So, we're not going to comment on future products, but I think maybe the way to answer is to is your last question, which is to say, hey, look, guys, you're trying to build volume here, whether it's with new products or going on more aggregators, what's your capacity to deal with that?

And I guess, I'd say a couple of things. One is, if you think about the number of orders we were putting through during COVID, we are still not at that level. Number two is if you think about our operations since then, it's at a much better level. I won't go through it again, but we've changed our circle of operations, Dom.OS, all of that stuff. So, there's still volume upside in a more efficient Domino's than we've ever had since I've been here.

Sandeep Reddy

And Lauren, I'll just add to what Russell said because you asked specifically what's in the same store sales guide. So, a couple of things. I think on aggregators, it was pretty clear in the prepared remarks that we're expecting a more meaningful impact in the back half. So, yes, that is included in the 3% same store sales guide. And I think apart from that, we have a slate of initiatives that we're not going to talk about for competitive reasons, but they're all in the same store sales guide because we know what those are and that's part of our expectation.

Russell Weiner

Yeah, including two new products. Obviously, we say we're going to do two new products every year, and so, there will be two new products this year, yeah.

Operator

Thank you. And our next question comes from the line of Jeffrey Bernstein from Barclays. Your question, please.

Jeffrey Bernstein

Great. Thank you very much. I wanted to talk about Domino's positioning within that renowned value in the US that you speak about. Clearly, it looks like you're assuming comps reaccelerate to reach the 3% in '25 versus the -- looks like 40 basis points in the most recent quarter. And there's already lots of focus on value in the pizza and broader QSR segment. So, I'm just wondering, when you think about two things, one, the delivery side of your business, I would think is less about value with the surcharges and tips, and at the same time, your QSR competition is aggressively pushing \$5 meals. I would think both of those things maybe eat into your value leadership. So, just hoping you could talk about the delivery segment's resilience in a challenge macro and your thoughts on the broader non-pizza QSRs pushing a whole lot more value than they were doing 12, 24 four months ago. Thank you.

Russell Weiner

Yeah, Jeff, the way I think about value, it's relative value. And so, relative to ourselves in carryout, delivery is certainly more expensive. You got the fees, hopefully tips for our drivers. But still when you look at delivery to delivery, we're very competitive, down to the delivery fee and the price not only to other pizza, but really other items you get delivered. If you think about getting a pizza delivered to your house, two pizzas delivered to your house for \$6.99 each, that's 16 slices, you're feeding a lot of people. And so, when we talk about value in delivery, being a little pressured, especially with the lower-income customer, it's more value compared to our carryout than it is to other delivery choices.

Operator

Thank you. And our final question for today comes from the line of Jeffrey Farmer from Gordon Haskett. Your question, please.

Jeffrey Farmer

Thank you. You just touched on a little bit of it, but with some of the restaurant earnings calls over the last two weeks, your peers have clearly suggested that the demand headwinds that had largely been isolated to the lower-income cohort for most of 2024 are beginning to sort of expand beyond just lower income. So, how do you see that as you move through 2025 in terms of demand headwinds that might be expanding beyond the lower-income cohort?

Russell Weiner

Yeah. I think for us, a couple of things. I'll talk about Domino's, but then I'll talk about larger restaurant. I mean, we're seeing the cross-income cohort be really more of a pressure on 1P within pizza 1P delivery. But if I think I was just talking about overall QSR business and what seems to be happening is there's a new dynamic. You've always heard me talk about kind of down-switching. So, in a tougher climate, economically, you're going to see customers maybe go down from more expensive dining options into QSR or pizza. That's continuing to happen. And you've always heard me talk about out-switching, right, which is at some point, especially with delivery, when consumers' pressures are such that maybe they want more affordable options, they'll eat at home.

What we're starting to see now and this is maybe a little bit less so in pizza than in other parts of QSR, it's what I'll call up-switching, where the price gap between, let's say, a burger at QSR versus casual dine or fast casual, the price gap, those other areas may be more expensive than QSR, but the gap maybe isn't as big as it used to be. And so, a customer will be saying, hey, you know what, I'm willing to pay a little bit more because the occasion is going to be different or maybe the food is going to be a little bit different.

And so, there are lots of dynamics that we're following now with customers, the down-switching, the out-switching, the up-switching. Clearly though, they're looking for value, but maybe this is a good way to end the call. I think one of the things that I keep reiterating with the team is this thought that value is not value if a customer doesn't value it. What do I mean by that? As folks are driving more value into the marketplace, just because there is price off a certain item, if customers don't want that item, then it's really not value.

And one of the strengths I think we have at Domino's Pizza is that when you think about our pizza and every single platform we have, all of those, you can get as part of our mix and match. And I think that's something that's unique to us, it's something we've had for 14, 15 years. And in the long-term, if a customer is having to buy something they don't want to buy for the right price, it's going to start to affect their frequency at a restaurant. So, that's why I think long-term, I really like what our strategies have brought forth.

Greg Lemenchick

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 with you all again soon. You may now disconnect.

Operator

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.

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