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Domino's shares slide as revenue falls short

NEW YORK, Oct 13 (Reuters) - Domino's Pizza Inc (DPZ.N) posted a steeper-than-expected decline in quarterly revenue, sending its shares down nearly 7 percent on Tuesday.

Domino's, which competes with Yum Brands Inc's (YUM.N) Pizza Hut and Papa John's International Inc (PZZA.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), has been facing weak consumer demand as more people prepare meals at home to save money.

The company said revenue fell 6.5 percent to \$302.7 million in the third quarter ended on Sept. 6. Analysts on average were expecting \$308.9 million, according to Thomson Reuters I/B/E/S.

Profit came in better than expected due to cost cuts, lower interest expense and falling prices for cheese and other pizza ingredients. Net income rose to \$17.8 million, or 31 cents a share from \$10.1 million, or 17 cents a share, a year earlier.

Excluding a \$14.3 million pretax gain from retiring debt, earnings were 17 cents a share, 2 cents higher than the analysts' average estimate.

Lower interest expense alone pushed profit up by about 3 cents a share.

Telsey Advisory Group analyst Tom Forte tied the stock movement to the lackluster sales numbers, which missed his expectations.

But Forte said the company's efforts to take its menu beyond pizza were bearing fruit and drawing in customers. In particular, he said, the addition of sandwiches was helping lunch sales.

Same-restaurant sales, a key indicator of performance, were flat in the United States and up 2.7 percent internationally.

The Ann Arbor, Michigan-based chain now appears to be outperforming rival Pizza Hut in the United States. The Yum unit, which is seen as a more expensive option than Domino's, recently reported a 13 percent decline in U.S. sales at established restaurants for the third quarter.

Sales at established U.S. Domino's restaurants were down 2 percent at company-owned locations, but rose 0.3 percent at those operated by franchisees.

"This is a sign of a healthy Domino's," Forte said, adding the franchisee-operated outlets have outperformed the company-owned restaurants for about three quarters.

Domino's shares were down 6.8 percent at \$8.73 in morning New York Stock Exchange trading.