

Domino's Pizza, Inc.

Restaurants February 26, 2010

Company Description: Domino's Pizza, Inc. operates 481 pizza delivery and take-out restaurants in the U.S. and franchises 8,405 additional restaurants, including 3,949 international locations in 60 countries. The menu typically includes a variety of pizzas, pastas, sandwiches and side items such as chicken wings, salads and brownies. The company's headquarters are in Ann Arbor, Michigan.

4Q:09 preview, raising estimates on higher sales from new pizza, raising target (DPZ - \$12.43) BUY

Key Points

- Domino's Pizza (DPZ) reports 4Q:09 results on March 2nd before the market open.
- We are raising our 4Q:09 estimate to \$0.25 on \$435.1mm revenue, from \$0.23 on \$434.4mm.
- Sales trends improved during 4Q:09, in our view, and the new pizza launch late in December gave a slight bump to sales.
- We raised our 2010 estimates on high demand for DPZ's new pizza which has been supported with aggressive advertising.
- We are raising our price target to \$12.50, from \$10, on improved 2010 outlook.
- We reiterate our BUY rating as we expect an upbeat 4Q:09 earnings report and insight into 1Q:10.

| | 4Q:08 Actual | 4Q:09 Estimate | YOY% Change | Consensus |
|------------------|--------------|----------------|-------------|-----------|
| Total Revenue | \$428,167 | \$435,089 | 1.6% | \$436,600 |
| Operating Income | \$51,891 | \$58,181 | 12.1% | \$58,660 |
| Net Income | \$10,908 | \$14,412 | 32.1% | \$15,000 |
| Diluted EPS | \$0.19 | \$0.25 | 29.3% | \$0.25 |

DPZ will report 4Q:09 results on Tuesday, March 2nd before the market open. Management will host a conference call on March 2nd at 10:00 a.m. Central to discuss results; (888) 306-6182, passcode 45887215.

We raised our 4Q:09 estimates. We think the operating environment improved slightly in 4Q:09 with cheese prices slightly lower than expectations and some rebound in consumer spending. We raised our domestic same-store sales estimate to (1.3%) from (1.6%). We raised our 4Q:09 revenue estimate to \$435.1mm from \$434.4mm as we think increased consumer spending helped buoy 4Q:09 sales slightly. Our increased sales estimates and tweaks to our estimates for expenses led us to raise our EPS estimate to \$0.25, from \$0.23.

We are raising our 2010 revenue estimates, primarily due to strong results from DPZ's new pizza launch. In late December DPZ announced it was completely changing its core pizza. Additionally, the company began a large television and online advertising campaign to promote the new pizza in 1Q:10. We think the transition was a calculated risk that has paid off for DPZ as we believe sales have increased significantly. Additionally, other pizza company's were marketing aggressively during 1Q:10 which we think has boosted the category. Recent results from Papa John's (PZZA - BUY) were encouraging as they discussed significant strength throughout the pizza category and improving traffic trends that were taking market share from other quick service categories. We raised our 1Q:10 same-store sales estimate to 6.1%, composed of 7.0% and 6.0% growth at company-operated and franchised restaurants, respectively. Our prior estimates were for (2.6%) sss, composed of (2.8%) and (2.6%) declines at company-operated and franchised locations, respectively. Our improved sales outlook led us to raise our revenue estimates to \$342.2mm and \$1,404.6mm for 1Q:10 and 2010, respectively, from \$315.8mm and \$1,371.4mm. Additionally, we think the company will benefit from more favorable foreign exchange rates in 2010. We are encouraged by the expected sales results and expect management to comment positively regarding 1Q:10 sales on the conference call.

Please see important disclosures on pages 4 to 6.

Financial Summary

| Rev(mil) | 2008A | 2009E | 2010E |
|----------|---------|----------|----------|
| Mar | \$339 | \$322A | \$342E |
| Jun | \$334 | \$317A | \$326E |
| Sep | \$324 | \$303A | \$312E |
| Dec | \$428 | \$435E | \$425E |
| FY | \$1,425 | \$1,376E | \$1,405E |
| P/Sales | 0.36x | 0.37x | 0.37x |

| EPS | 2008A | 2009E | 2010E |
|-----|--------|---------|---------|
| Mar | \$0.21 | \$0.20A | \$0.26E |
| Jun | \$0.22 | \$0.21A | \$0.23E |
| Sep | \$0.13 | \$0.17A | \$0.21E |
| Dec | \$0.19 | \$0.25E | \$0.27E |
| FY | \$0.75 | \$0.82E | \$0.97E |
| P/E | 11.6x | 10.9x | 9.9x |

| | |
|----------------|----------------|
| Price: | \$12.43 |
| 52-Week Range: | \$12.50-\$4.76 |
| Target: | \$12.50 |
| Rating: | BUY |

| | |
|----------------------|-----------|
| Shares Outstanding: | 58.4 mil |
| Mkt. Capitalization: | \$726 mil |
| Ave. Volume: | 802,000 |
| Instit. Ownership: | 95% |
| BV / Share: | NM |
| Debt / Tot. Cap.: | NM |
| Est. LT EPS Growth: | 12% |

Our improved sales outlook led us to increase our earnings estimates. We think DPZ is successfully taking market share from its peers in the pizza category and other restaurant segments with its aggressive advertising campaign for the new pizza. The high sales volume will lead to expanding margins and improved earnings, in our view. Additionally, we think the outlook for cheese prices has improved with futures showing cheese prices below management's expectations given at the recent analyst day. We raised our 2010 EPS estimate to \$0.97, from \$0.88, with the majority of the shift in 1H:10. As a reminder, DPZ will benefit in 1Q:10 from the launch of the new pizzas with some carryover into 2Q:10 and 2Q:10 has easier prior-year comps due to the YouTube incident that impeded sales last year. We did raise our G&A estimates following management's guidance for increased spending for technology in 2010 which muted the strong outlook slightly.

We raised our price target to \$12.50, from \$10. Our increased earnings estimates and outlook for higher growth causes us to raise our price target to \$12.50, from \$10. We derive our new \$12.50 price target by applying a 13x multiple to our new 2010 EPS estimate of \$0.97. We previously valued the shares at a 12x multiple, but think the improved outlook for earnings growth justifies a higher multiple. We note that our new 13x multiple is still a discount to the 15x multiple that we use to value PZZA and the multiple other QSR's are currently trading at, but we think DPZ's highly leveraged balance sheet deserves a slightly discounted multiple. We are becoming more comfortable with the high level of debt given DPZ's high free cash flow and ability to push out the due date to 2014.

INVESTMENT THESIS

We maintain our BUY rating. We are encouraged by the strong results for DPZ's new pizza and the sales growth the advertising is driving. We expect management will be upbeat on the conference call regarding the high level of sales and the success of the promotion. DPZ shares are trading roughly inline with our new \$12.50 price target, but we maintain our BUY rating as we think the positive momentum may lead to the shares trading at higher prices over the next few months. We are unsure how sustainable the positive sales trends are and if DPZ can maintain the gains in market share. We will continue to monitor our estimates and multiple as we get more information regarding the results.

Domino's Pizza, Inc. Income Statement
(Dollars in thousands, except where noted)

| | 2007A | MarA | JunA | SeptA | DecA | 2008A | MarA | JunA | SeptA | Dec | 2009E | Mar | Jun | Sept | Dec | 2010E |
|-----------------------------------|------------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|------------------|
| Revenues: | | | | | | | | | | | | | | | | |
| Domestic company-owned stores | 394,585 | 93,047 | 85,009 | 77,810 | 101,837 | 357,703 | 80,996 | 76,737 | 72,691 | 102,112 | 332,536 | 85,866 | 77,988 | 72,968 | 96,586 | 333,408 |
| Domestic franchise | 158,050 | 36,386 | 35,804 | 34,680 | 46,988 | 153,858 | 36,883 | 35,686 | 34,315 | 48,051 | 154,935 | 38,711 | 35,824 | 34,326 | 46,158 | 155,020 |
| Domestic distribution | 783,330 | 176,189 | 179,569 | 177,848 | 237,500 | 771,106 | 173,502 | 172,538 | 163,155 | 237,660 | 746,855 | 183,301 | 176,532 | 167,662 | 231,720 | 759,215 |
| International | 126,905 | 33,390 | 33,965 | 33,250 | 41,842 | 142,447 | 30,447 | 31,671 | 32,554 | 47,266 | 141,938 | 34,311 | 35,548 | 36,775 | 50,371 | 157,004 |
| Total revenues | 1,462,870 | 339,012 | 334,347 | 323,588 | 428,167 | 1,425,114 | 321,828 | 316,632 | 302,715 | 435,089 | 1,376,264 | 342,189 | 325,891 | 311,732 | 424,835 | 1,404,647 |
| % change | 1.8% | -0.1% | -1.7% | -4.1% | -4.0% | -2.6% | -5.1% | -5.3% | -6.5% | 1.6% | -3.4% | 6.3% | 2.9% | 3.0% | -2.4% | 2.1% |
| Cost of sales: | | | | | | | | | | | | | | | | |
| Domestic company-owned stores | 317,730 | 75,511 | 69,578 | 67,937 | 85,831 | 298,857 | 64,712 | 62,564 | 60,215 | 84,753 | 272,244 | 68,444 | 63,326 | 60,381 | 80,022 | 272,172 |
| Domestic distribution | 710,894 | 160,626 | 161,682 | 162,454 | 214,907 | 699,669 | 154,982 | 154,319 | 145,848 | 214,251 | 669,400 | 163,871 | 157,908 | 149,974 | 209,058 | 680,811 |
| International | 55,392 | 14,840 | 15,328 | 14,477 | 18,682 | 63,327 | 13,317 | 13,790 | 13,501 | 19,951 | 60,559 | 15,065 | 15,326 | 15,738 | 21,909 | 68,038 |
| Total cost of sales | 1,084,016 | 250,977 | 246,588 | 244,868 | 319,420 | 1,061,853 | 233,011 | 230,673 | 219,564 | 318,955 | 1,002,203 | 247,380 | 236,560 | 226,093 | 310,988 | 1,021,021 |
| Gross profit | 378,854 | 88,035 | 87,759 | 78,720 | 108,747 | 363,261 | 88,817 | 85,959 | 83,151 | 116,134 | 374,061 | 94,809 | 89,331 | 85,639 | 113,847 | 383,626 |
| Gross margin | 25.9% | 26.0% | 26.2% | 24.3% | 25.4% | 25.5% | 27.6% | 27.1% | 27.5% | 26.7% | 27.2% | 27.7% | 27.4% | 27.5% | 26.8% | 27.3% |
| General and administrative | 184,944 | 38,685 | 34,207 | 38,483 | 56,856 | 168,231 | 43,899 | 45,655 | 42,701 | 57,954 | 190,209 | 45,682 | 43,832 | 42,396 | 56,843 | 188,753 |
| Operating income | 193,910 | 49,350 | 53,552 | 40,237 | 51,891 | 195,030 | 44,918 | 40,304 | 40,450 | 58,181 | 183,853 | 49,126 | 45,499 | 43,243 | 57,004 | 194,873 |
| Operating margin | 13.3% | 14.6% | 16.0% | 12.4% | 12.1% | 13.7% | 14.0% | 12.7% | 13.4% | 13.4% | 13.4% | 14.4% | 14.0% | 13.9% | 13.4% | 13.9% |
| Interest income | 5,317 | 890 | 649 | 447 | 760 | 2,746 | 467 | 111 | 103 | 640 | 1,321 | 450 | 395 | 470 | 615 | 1,930 |
| Interest expense | (143,668) | (26,708) | (25,577) | (26,125) | (36,496) | (114,906) | (26,968) | (26,030) | (24,631) | (34,800) | (112,429) | (24,050) | (23,600) | (23,100) | (30,650) | (101,400) |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 21,174 | 12,938 | 14,290 | 10,000 | 58,402 | 0 | 0 | 0 | 0 | 0 |
| Income before income taxes | 55,559 | 23,532 | 28,624 | 14,559 | 16,155 | 82,870 | 39,591 | 27,323 | 30,212 | 34,021 | 131,147 | 25,526 | 22,294 | 20,613 | 26,969 | 95,403 |
| Pretax margin | | | | | | | | | | | | | | | | |
| Income tax expense | 17,677 | 9,413 | 9,894 | 4,463 | 5,129 | 28,899 | 15,821 | 12,796 | 12,383 | 13,608 | 54,608 | 10,211 | 8,918 | 8,245 | 10,787 | 38,161 |
| % of pretax income | 31.8% | 40.0% | 34.6% | 30.7% | 31.7% | 34.9% | 40.0% | 46.8% | 41.0% | 40.0% | 41.6% | 40.0% | 40.0% | 40.0% | 40.0% | 40.0% |
| Net income | 65,671 | 12,449 | 12,835 | 7,456 | 10,908 | 43,648 | 11,401 | 12,143 | 9,588 | 14,412 | 47,544 | 15,316 | 13,376 | 12,368 | 16,181 | 57,242 |
| Net income (GAAP) | 37,882 | 14,119 | 18,730 | 10,096 | 11,026 | 53,971 | 23,770 | 14,527 | 17,829 | 20,412 | 76,538 | 15,316 | 13,376 | 12,368 | 16,181 | 57,242 |
| EPS | 1.03 | 0.21 | 0.22 | 0.13 | 0.19 | 0.75 | 0.20 | 0.21 | 0.17 | 0.25 | 0.82 | 0.26 | 0.23 | 0.21 | 0.27 | 0.97 |
| EPS (GAAP) | 0.59 | 0.23 | 0.32 | 0.17 | 0.19 | 0.93 | 0.41 | 0.25 | 0.31 | 0.35 | 1.32 | 0.26 | 0.23 | 0.21 | 0.27 | 0.97 |
| EPS growth rate | -35.70% | -44.82% | 6.47% | -25.23% | -6.95% | -27.43% | -4.05% | -3.67% | 28.73% | 29.30% | 9.84% | 31.47% | 7.80% | 26.02% | 9.55% | 17.69% |
| Diluted shares | 63,698 | 60,086 | 58,790 | 58,043 | 57,102 | 58,340 | 57,351 | 57,737 | 57,981 | 58,350 | 57,855 | 58,600 | 59,000 | 59,350 | 59,800 | 59,188 |
| Dividends per shares | 13.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| EBITDA | 223,294 | 53,638 | 53,456 | 45,237 | 58,297 | 210,628 | 50,705 | 50,731 | 45,956 | 65,898 | 213,290 | 54,826 | 51,209 | 48,963 | 64,624 | 219,623 |

Analyst Certification

I, **Mark E. Smith**, certify that the views expressed in this research report accurately reflect my personal views about the subject company and its securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation related to the specific recommendations expressed in this report.

Important Disclosures:

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As of the end of the month preceding the date of publication of this report, Feltl and Company **did not** beneficially own 1% or more of any class of common equity securities of the subject company.

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The analyst **has not** received any compensation for any investment banking business with this company in the past twelve months and **does not** expect to receive any in the next three months.

Feltl and Company **has not** been engaged for investment banking services with the subject company during the past twelve months and **does not** anticipate receiving compensation for such services in the next three months.

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Feltl and Company Rating System: Feltl and Company utilizes a four tier rating system for potential total returns over the next 12 months.

Strong Buy: The stock is expected to have total return potential of at least 30%. Catalysts exist to generate higher valuations, and positions should be initiated at current levels.

Buy: The stock is expected to have total return potential of at least 15%. Near term catalysts may not exist and the common stock needs further time to develop. Investors requiring time to build positions may consider current levels attractive.

Hold: The stock is expected to have total return potential of less than 15%. Fundamental events are not present to make it either a Buy or a Sell. The stock is an acceptable longer-term holding.

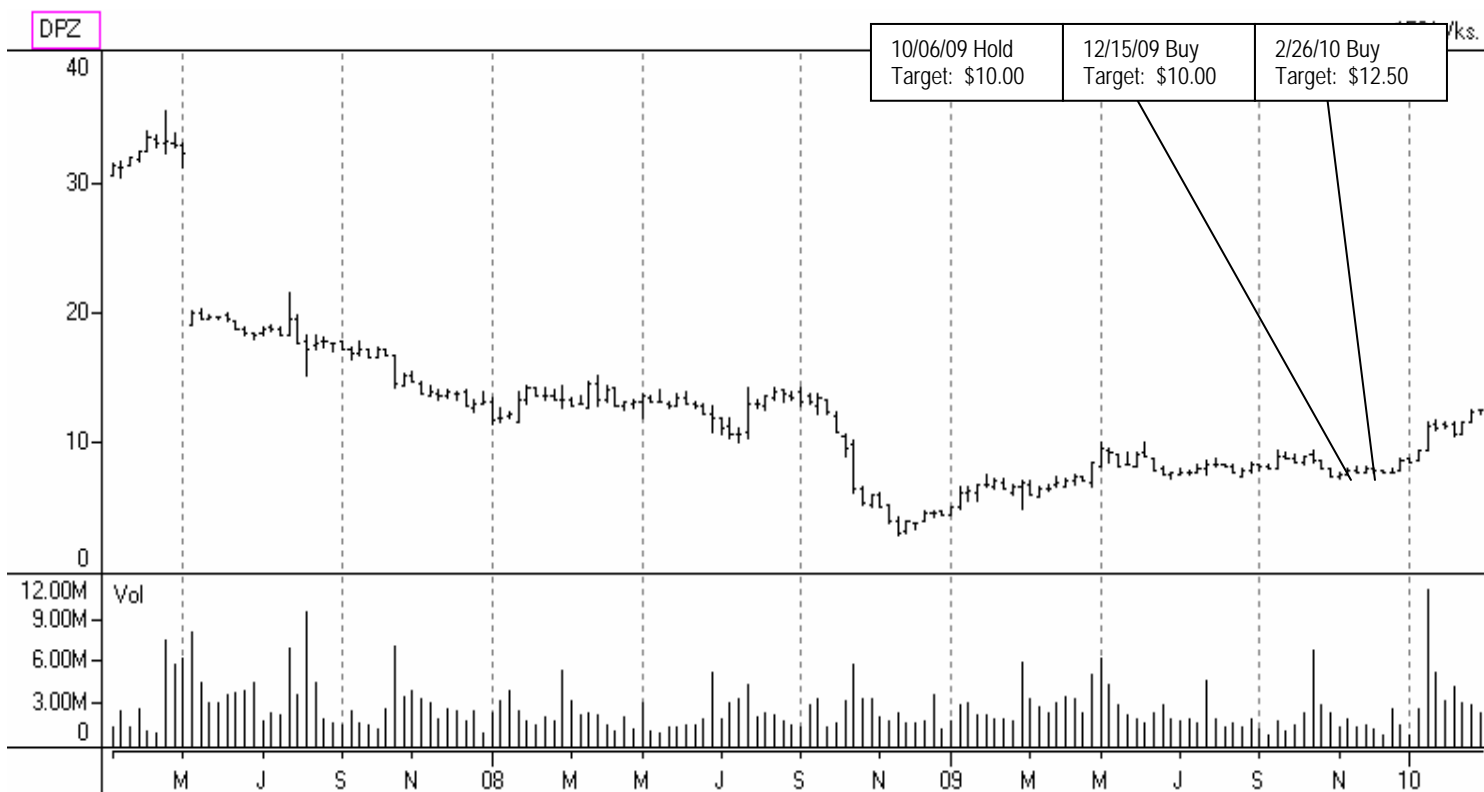
Sell: Expect a negative total return. Current positions may be used as a source of funds.

2/26/2010

Ratings Distribution for Feltl and Company

| Rating | | | ----- Investment Banking ----- | |
|--------|------------------|------------------|--------------------------------|----------------------------|
| | Number of Stocks | Percent of Total | Number of Stocks | Percent of Rating category |
| SB/Buy | 34 | 68% | 2 | 6% |
| Hold | 14 | 28% | 0 | 0% |
| Sell | 2 | 4% | 0 | 0% |
| | 50 | 100% | 2 | 4% |

The above represents our ratings distribution on the stocks in the Feltl and Company research universe, together with the number in (and percentage of) each category for which Feltl and Company provided investment-banking services in the previous twelve months.



| Date | Nature of Report | Rating | Price Target |
|----------|-----------------------|--------|--------------|
| 10/06/09 | Initiation @ \$8.47 | Hold | \$10.00 |
| 12/15/09 | Upgrade Rating to BUY | Buy | \$10.00 |
| 2/26/10 | Raise Price Target | Buy | \$12.50 |
| | | | |
| | | | |

Feltl and Company **does** make a market in the subject security at the date of publication of this report. As a market maker, Feltl and Company could act as principal or agent with respect to the purchase or sale of those securities.

Valuation and Price Target Methodology:

We derive our \$12.50 price target by applying a 13x multiple to our 2010 EPS estimate of \$0.97.

Risks to Achievement of Estimates and Price Target:

- Domino's business may be impacted by consumers' discretionary spending and confidence. Macroeconomic factors such as increasing gasoline prices, unemployment and generally tough economic times may negatively impact consumers' restaurant spending. Changing customer tastes or health trends could also have a negative impact on sales.
- Volatile commodity prices may affect earnings. DPZ is highly dependant on cheese; approximately 35% of a restaurant's food costs. Volatile cheese prices have historically had a substantial impact on the company's operating results.
- There is no guarantee that Domino's restaurants will be successful in new markets. Restaurants are currently operated in all 50 states, but the company will experience significant growth in new international markets over the next five years. In our view, this risk is lowered through growth in new markets from franchisees.
- The restaurant business is extremely competitive and competition for customers through lower prices may negatively impact DPZ's returns. Discounted prices at either of DPZ's two largest competitors may cause the company to lower prices to maintain its market share. Additionally, DPZ must compete with other restaurant companies for reliable franchisees.
- Our growth projections are dependent on DPZ's ability to recruit, sign and retain competent franchisees. Lower demand for franchised restaurants could slow restaurant development and expected returns. We view DPZ's relationship with its franchisees as favorable.
- Readers should recognize that the risks noted here do not represent a comprehensive list of all risk factors or potential issues, nor all factors that may preclude achievement of our forecast or price target. Additional risk factors exist and are outlined in the Company's SEC filings

Other Disclosures:

The information contained in this report is based on sources considered to be reliable, but not guaranteed, to be accurate or complete. Any opinions or estimates expressed herein reflect a judgment made as of this date, and are subject to change without notice. This report has been prepared solely for informative purposes and is not a solicitation or an offer to buy or sell any security. The securities described may not be qualified for purchase in all jurisdictions. Because of individual requirements, advice regarding securities mentioned in this report should not be construed as suitable for all accounts. This report does not take into account the investment objectives, financial situation and needs of any particular client of Feltl and Company. Some securities mentioned herein relate to small speculative companies that may not be suitable for some accounts. Feltl and Company suggests that prior to acting on any of the recommendations herein, the recipient should consider whether such a recommendation is appropriate given their investment objectives and current financial circumstances. Past performance does not guarantee future results. Additional information is available upon request.

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