Risk Factors Comparison 2024-02-26 to 2023-02-23 Form: 10-K

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For a business as large and globally diverse as the Company, a wide range of factors could materially affect future developments and performance. In addition to the factors affecting specific business operations identified in connection with the description of these operations and the financial results of these operations elsewhere in this report and our other filings with the SEC, we believe the most significant risk factors affecting our business include the following: Business, Operational and Industry Risks The quick service restaurant (" QSR ") pizza category and the food service and food delivery markets in general are highly competitive and such competition could adversely affect our operating results. In the U. S., we compete primarily against regional and **independent or** local companies as well as national chains Pizza Hut ®, Papa John' s ® and Little Caesars Pizza ®. Internationally, we compete primarily with Pizza Hut ®, Papa John' s ® and country- specific national, regional and **independent or** local companies. We may experience increased competition from existing or new companies in the delivery and carryout pizza categories, in addition to competition from order and delivery aggregators both in the pizza category and more broadly, that may create increasing pressures to grow our business in order to maintain our market share. Competition for both customers and drivers from these order and delivery aggregators and other food delivery services has substantially increased as order and delivery aggregators have ~~continued to grow~~ **grown** in size and scale. Additionally, we face competition from ~~the supermarket~~ **supermarkets** ~~industry~~ and meal kit and food delivery providers, with the improvement of prepared food and meal kit offerings, expansion in meal delivery platforms and services and the trend towards convergence in grocery, deli, retail and restaurant services. We also compete **more broadly** ~~on a broader scale~~ with **QSRs** ~~quick service~~ and other international, national, regional and **independent or** local restaurants. The overall food service market, food delivery market and the QSR market are intensely competitive with respect to food quality, price, service, image, convenience and concept, and are often affected by changes in: • consumer tastes; • international, national, regional or local economic conditions; • marketing, advertising and pricing, including both price increases and discounting; • disposable purchasing power and demographic trends; and • currency fluctuations **and geopolitical considerations** related to international operations. We compete within the food service market and the QSR market not only for customers, but also for management and hourly employees, including store team members, drivers and qualified franchisees, as well as suitable real estate sites. We and our franchisees have faced an increasingly competitive labor market **in recent years** due to ~~sustained~~ labor shortages and increased turnover **at times** resulting in part from the ~~ongoing~~ COVID- 19 pandemic which ~~has~~ caused us and our franchisees to in certain cases ~~reduce store hours~~ **make operational changes** and delay store openings ~~, and has in the past prevented us from running promotions,~~ which ~~has impacted our sales, service levels and customer acquisition and experience and~~ could ultimately impact our growth and competitive position **. While the Company saw an increase in sales in certain markets, including within the U. S., at times during the COVID- 19 pandemic, including higher sales related to heightened reliance on delivery and carryout businesses, future sales are not possible to estimate, and it is unclear what sales will be as consumer behavior and general economic and business activity move on from the COVID- 19 pandemic** . Our success is also dependent in large part upon our ability to maintain and enhance the goodwill and reputation of our brand, our customers' connection to our brand, and a positive relationship with our franchisees and the communities in which we and our franchisees operate. Our supply chain segment is also subject to competition from outside suppliers. While substantially all U. S. franchisees purchased food, equipment and supplies from us in ~~2022~~ **2023** , U. S. franchisees are not required to purchase food, equipment or supplies from us and they may choose to purchase from outside suppliers. If other suppliers who meet our qualification standards were to offer lower prices or better service to our franchisees for their ingredients and supplies and, as a result, our franchisees chose not to purchase from our U. S. supply chain centers, our financial condition, business and results of operations would be adversely affected. If we are unable to maintain our competitive position, we could experience downward pressure on prices, lower demand for our products, reduced margins, loss of management or hourly employees, reduced service levels, disruption in our supply chain, the inability to take advantage of new business opportunities and the loss of market share, all of which would have an adverse effect on our operating results and could cause our stock price to decline. If we fail to successfully implement our growth strategy, which includes opening new ~~U. S. and international~~ stores **and generating more sales** , our ability to increase our revenues and operating profits could be adversely affected. A significant component of our growth strategy includes the opening of new U. S. (both Company- owned as well as franchised stores) and international franchised stores. We and our franchisees face many challenges in opening new stores, including, among others: • construction, permitting or development delays ~~, including those relating to the ongoing COVID- 19 pandemic~~ ; • employment and training of qualified personnel, including availability of store team members; • selection and availability of suitable new store sites and the ability to renew leases in quality locations; • availability and negotiation of leases and financing with acceptable terms; • securing required U. S. or foreign governmental permits, licenses and approvals; and • general economic and business conditions, including increases in food costs **, build costs** and labor costs which could impact profitability and demand for new stores. The opening of additional franchise stores also depends, in part, upon the availability of **suitable** prospective franchisees who meet our criteria, the ability of these franchisees to attract and retain qualified personnel and their desire to open new stores **and ability to operate those stores effectively** . Our failure to add ~~a significant number of~~ new stores would adversely affect our ability to increase revenues and operating income. Additionally, our growth strategy and the success of new stores depend in large part on the availability of suitable store sites and leases. We and our franchisees are currently planning to expand our U. S. and international operations in many of the markets where we currently operate and in select new markets. This may require considerable management time as well as start- up expenses for market development before any significant revenues and earnings are generated. Operations in new markets may achieve low margins or may be unprofitable, and expansion in existing markets may be affected by local economic and market conditions. In addition, we expect to continue our strategy of building additional stores in markets and regions where we have existing stores, a strategy we refer to as " fortressing, " which may negatively impact sales at existing stores. Therefore, as we continue to expand, we or our franchisees may not experience the gross margins we expect, our results of operations may be negatively impacted, and our stock price may decline. Additionally, we have an equity investment in DPC Dash Ltd (" DPC Dash "), as further discussed elsewhere in this report. Through its subsidiaries, DPC Dash serves as the Company' s master franchisee in China that owns and operates Domino' s Pizza stores in that market. These types of investments are inherently risky. If DPC Dash does not succeed or is unable to successfully execute its growth strategy, we ~~may be forced to record impairment charges and~~ could lose some or all of our investment **value** . As part of our growth strategy, we may decide to increase or decrease the number of Company- owned stores, either by refranchising existing Company- owned stores or by purchasing existing franchised stores, as we have done in the past. Our failure to successfully execute these transactions could have an adverse effect on our operating results and could cause our stock price to decline. **Another component of our growth strategy also involves our recent entry into the third- party order aggregator marketplace. This new avenue for sales may prove to be unsuccessful and sales may not meet our expectations. Our presence on the order aggregator marketplace also introduces us to additional risks and uncertainties including the risk that orders on this marketplace may not have the same level of store- level profitability as orders through our owned channels. Our operating results and stock price may be adversely affected if we are not successful on order aggregator platforms.** Increases in food, labor and other costs, labor shortages or negative economic conditions could adversely affect our profitability and operating results. Given the **present** ~~inflation~~ **inflationary environment** ~~rates in fiscal 2022~~ , which we anticipate may continue, there has been and may continue to be significant increases in food costs and labor costs **,** which have impacted and could further impact our profitability and that of our franchisees and which could impact the opening of new U. S. and international franchised stores and adversely affect our operating results. **Economic conditions, including the** ~~Inflationary~~ **inflationary** pressures **seen in recent years,** may also impact the discretionary purchasing power of our customers, especially customers with less disposable income or for whom discretionary spending represents a smaller portion of their disposable income, resulting in decreased demand for our products. Matters having a broad global economic impact may also significantly impact particular costs, such as the **impact of geopolitical** ~~ongoing Russia- Ukraine~~ conflict **on our and our international master franchisees** ' ~~s impact on our~~ transportation and energy costs. ~~We~~ **Health epidemics or pandemics – such as the global outbreak of COVID- 19 in early 2020 –** have ~~experienced increased~~ **in the past and may in the future impact macroeconomic conditions, consumer behavior,** labor **availability** ~~shortages at many of our stores~~ and supply chain **management, as well as local operations in impacted markets** ~~centers and our franchisees have experienced similar labor shortages at their stores~~ . While there historically has been some level of ordinary course turnover of employees, the ~~ongoing~~ COVID- 19 pandemic and **its effects** ~~resulting actions and impacts have~~ exacerbated labor shortages and increased turnover **in recent years** . Labor shortages and increased turnover rates within our team members and the employees of our franchisees have led to and could in the future lead to increased costs, such as increased overtime to meet demand and increased wage rates to attract and retain team members and could negatively affect our and our franchisees' ability to efficiently operate our respective businesses and result in a negative impact on service and customer experience. Factors such as inflation, increased food costs, increased labor and employee health and benefit costs, increased rent costs, increased transportation costs and increased energy costs may adversely affect our operating costs and profitability and those of our franchisees and could result in menu price increases, which could impact consumer demand. An economic environment characterized by high unemployment, ~~rising~~ **high** interest rates, cautious consumer spending, or changes in consumer practices due to a possible recession could also impact consumer spending or demand and our operating results. Most of the factors affecting costs are beyond our control and, in many cases, we may not be able to pass along these increased costs to our customers or franchisees and to the extent we were to raise menu prices to offset these costs, could result in decreased consumer demand, sales and profitability. Most ingredients used in our pizza, particularly cheese, are subject to significant price fluctuations as a result of seasonality, weather, demand and other factors. For example, we have experienced increased volatility in prices for some ingredients in recent years ~~and during the ongoing COVID- 19 pandemic, which may continue even if the pandemic recedes~~ . Cheese is a significant cost to us, representing approximately 25 % of the market basket purchased by our Company- owned stores. Additionally, while we strive to engage in a competitive bidding process for our ingredients, because certain of these ingredients, including meat products, may only be available from a limited number of vendors, we may not always be able to do so effectively. Furthermore, if we need to seek new suppliers, including as a result of expiration of existing supply agreements, we may be subject to pricing or other terms less favorable to us than those reflected in our current supply arrangements. Labor costs are largely a function of the minimum wage for a majority of our **and our franchisees'** store personnel and certain supply chain center personnel and, generally, are also a function of the availability of labor. In addition to the increases in labor costs described above, several jurisdictions in which we and our franchisees operate have recently approved minimum wage increases. Federal, state and local proposals that increase minimum wage requirements or mandate other employee matters could, to the extent implemented, materially increase labor and other costs. As more jurisdictions implement minimum wage increases, we expect that labor costs will continue to increase. For example, labor and regulatory compliance costs could be adversely impacted as a result of California Assembly Bill No. **1228** ~~257, the Fast Food Accountability and Standards Recovery Act~~ (**AB 1228** ~~" FAST Act "~~), which was signed into law in September ~~2022~~ **2023 and which will raise the minimum wage for employees of restaurants that are part of a national fast food chain effective April 1, 2024** . The ~~FAST Act, which is currently subject to a referendum campaign, authorizes the creation of a council to set minimum standards for workers in the industry, including for wages, working hours and other health and safety conditions. The implementation of the FAST Act could result in~~ increased labor ~~cost~~

costs at franchised restaurants in California **could** ~~, thereby potentially impacting~~ --- **impact** their profitability **and the desire to open new stores or renew the franchise agreements for existing stores and result in price increases, which could impact demand for our products or lead to operational changes** . Further, this bill could prompt similar legislation in other states or localities. The advent of legislation aimed at predictive scheduling may impact labor for our stores and our franchisees' stores. Additionally, while we do not currently have any unionized employees, certain employees of other companies in our industry have recently become unionized. If a significant portion of our **or our franchisees'** employees were to become unionized, our **and our franchisees'** labor costs could increase and our business could be negatively affected by other union requirements that increase ~~our~~ costs, disrupt our business, reduce ~~our~~ flexibility and impact ~~our~~ employee culture. Further, our responses to any union organizing efforts could negatively impact how our brand is perceived. Labor costs and food costs, including cheese, generally represent approximately 55 % to 65 % of the sales at a typical Company- owned store ~~. Worldwide economic activity has been and is expected to continue to be adversely affected by the ongoing COVID- 19 pandemic, the scale and scope of which is ultimately unknown, which could adversely affect our business, financial condition and results of operations. The ongoing global COVID- 19 pandemic continues to impact worldwide economic activity and create uncertainty. A public health pandemic such as COVID- 19 poses the risk that we and / or our employees, franchisees, supply chain centers, suppliers, customers and other partners may be prevented from, or be limited in, conducting business activities for an indefinite period of time, including due to restrictions that have been or may be suggested or mandated by governmental authorities, or due to the impact of the disease itself on a business' workforces. In response to governmental requirements, we and our franchisees have in the past implemented a number of measures, including, among others, temporarily closing certain stores, modifying stores' hours and closing locations to in- store dining. We continue to monitor ongoing developments, and future potential federal, state or local COVID- 19- related mandates could materially impact our results, including due to additional compliance costs as a result of any imposed mandate. While it is not possible at this time to estimate the full impact that COVID- 19 could have on our business going forward, the continued spread of the virus and the measures taken in response have in the past disrupted, and in the future may disrupt, our operations and could disrupt our supply chain, which could adversely impact our business, financial condition and results of operations. The COVID- 19 pandemic and mitigation measures have also impacted global economic conditions, which could have an adverse effect on our business and financial condition. The Company' s sales and operating results may be affected by uncertain or changing economic and market conditions arising in connection with and in response to the COVID- 19 pandemic, including inflation, changes to consumer demand, availability of labor or other changes. While the Company has seen an increase in sales in certain markets, including within the U. S., at times during the COVID- 19 pandemic, including increased sales related to heightened reliance on delivery and carryout businesses, future sales and same store sales are not possible to estimate and it is unclear whether and to what extent sales will return to more normalized levels or lessen if and when consumer behavior and general economic and business activity return to pre- pandemic levels. The significance of the operational and financial impact to the Company will depend on how long and widespread the disruptions caused by COVID- 19, and the corresponding response to contain the virus and treat those affected by it, prove to be~~ . Shortages, interruptions or disruptions in the supply or delivery of fresh food products and store equipment could adversely affect our operating results. We and our franchisees are dependent on frequent deliveries of food products that meet our specifications as well as adequate supply of store equipment. We have single suppliers or a limited number of suppliers for certain of our ingredients, including pizza cheese and meat toppings. While we believe there are adequate reserve quantities and potential alternative suppliers, shortages, interruptions, or disruptions in the supply of food products and store equipment caused by increased demand, capacity constraints, expiration of existing agreements, problems in production or distribution, product recalls, financial or other difficulties of suppliers, inclement weather or other conditions could adversely affect the availability, quality and cost of ingredients and equipment. We have in the past experienced disruptions within our supply chain resulting from, among other things, capacity, volume, systems, staffing, operational and COVID- 19- related challenges and may experience such supply chain disruptions again in the future, which could materially and adversely affect our business and operational results. Additionally, the effects of climate change could increase the frequency and duration of weather impacts on our operations and could adversely affect our operating results. The food service market is affected by consumer preferences and perceptions. Changes in these preferences and perceptions may reduce the demand for our products, which would reduce sales and harm our business. Food service businesses are affected by changes in consumer tastes, international, national, regional and local economic conditions, marketing, advertising, pricing ~~, including both price increases and discounting,~~ and demographic trends. For instance, if prevailing health or dietary preferences cause consumers to avoid pizza and other products we offer in favor of foods that are perceived as healthier, or consumers shift away from delivery or carryout food, our business and operating results would be harmed. Moreover, because we are primarily dependent on a single product, if consumer demand for pizza should decrease, our business would suffer more than if we had a more diversified menu, as many other food service businesses do **, and the QSR pizza category may also not grow as quickly as other categories within the food service industry** . The preferences of customers also may change as a result of advances in technology or alternative delivery methods or channels **as well as geopolitical considerations** . If we are not able to respond to these changes, or our competitors respond to these changes more effectively than us, our business and operating results could be adversely affected. Reports of product contamination, food- borne illness or food tampering or other events which may impact our reputation may reduce sales and harm our business. Reports, whether true or not, of product contamination, food- borne illnesses ~~(such as E. coli, avian flu, bovine spongiform encephalopathy, hepatitis A, trichinosis or salmonella)~~ and injuries caused by food tampering have in the past severely injured the reputations of participants in the QSR market and could in the future as well. These events could occur both at the store and supply chain center levels. If such an event was to occur, we may not be able to respond to it quickly and effectively. The potential for acts of terrorism affecting our global food supply also exists and, if such an event occurs, could have a negative impact on us and could severely hurt sales and profits. In addition, our reputation is an important asset; as a result, anything that damages our reputation could immediately and severely affect our sales and profits. Further, a boycott or other campaign critical of us **, whether domestic or international** , through social media or otherwise, could negatively impact our brand’ s reputation and, consequently, sales. Media reports of product contamination, illnesses and injuries, whether accurate or not, could force some stores to close or otherwise reduce sales at such stores. Moreover, as further described below, social media has dramatically increased the rate at which negative publicity, including as it relates to food- borne illness, can be disseminated before there is any meaningful opportunity to respond to or address an issue. Even reports of food- borne illnesses or food tampering occurring solely at the restaurants of competitors could, by resulting in negative publicity about the restaurant industry in general, adversely affect us on a local, regional, national or international basis. Our international operations expose us to further risk as our master franchisees are responsible for obtaining their own supply of food and equipment, subject to their compliance with our quality standards. A decrease in sales due to these health concerns, any negative publicity or as a result of the closure of any Domino’ s stores could adversely affect our results of operations. We do not have long- term contracts with certain of our suppliers, or have contracts which are set to expire, and as a result they could seek to significantly increase prices or fail to deliver. We do not have long- term contracts or arrangements, or have contracts which are set to expire, with certain of our suppliers. Although in the past we have not experienced significant problems with our suppliers, our suppliers may implement significant price increases or may not meet our requirements, including those that may result from increases in volume, in a timely fashion or at all. The occurrence of any of the foregoing could have a material adverse effect on the ability of our supply chain centers to deliver necessary products to our stores and those of our franchisees and on our results of operations. Any prolonged disruption in the operations of any of our dough manufacturing and supply chain centers could harm our business. In the U. S., we operate 22 regional dough manufacturing and supply chain centers, two thin crust manufacturing facilities, one vegetable processing center and one center providing equipment and supplies to our U. S. and certain international stores. We also operate five dough manufacturing and supply chain centers in Canada. We plan to continue investing in supply chain productivity initiatives in the future. Our U. S. dough manufacturing and supply chain centers service all of our Company- owned and substantially all of our U. S. franchise stores. **Any** ~~As a result, any~~ prolonged disruption in the operations of any of these facilities, whether due to technical, systems, operational or labor difficulties, destruction or damage to the facility, real estate issues, limited capacity or other reasons, or our failure to successfully increase capacity and open new centers, could adversely affect our business and operating results. Our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media could adversely impact our business. The use of social media platforms and other consumer- oriented technologies has increased the speed and accessibility of information dissemination and given users the ability to more effectively organize collective actions such as boycotts and other brand- damaging behaviors. Negative publicity related to our ~~food~~ **brand,** products, operations, or stores or related to our operations or actions by our executives, team members or franchisees and their team members or others perceived to be associated with our brand could harm our business, brand, reputation, marketing partners, financial condition and results of operations, regardless of the accuracy of such negative publicity. Failure to use or respond to social media campaigns effectively could lead to a decline in brand value and revenue. Our success depends in part upon effective advertising, and lower advertising funds may reduce our ability to adequately market the Domino’ s Pizza brand. We have been routinely named a Leading National Advertiser by Advertising Age and our success depends in part on continued effective advertising. Each Domino’ s store located in the U. S. is obligated to contribute 6 **. 0** % of its sales to DNAF, which uses such fees for national advertising in addition to contributions for local market- level advertising. We currently anticipate that this 6 **. 0** % obligation will remain in place for the foreseeable future, though the actual contribution rate could be lower in certain instances due to certain incentives and waivers **. Beginning on March 27, 2023, the Company effectuated a temporary reduction of 0. 25 % to its standard 6. 0 % advertising contribution, which will expire on March 24, 2024** . While additional funds for advertising in the past have been provided by us, our franchisees and other third parties, none of these additional funds are legally required. The lack of continued financial support for advertising activities could significantly curtail our marketing efforts, which may in turn affect our business and our operating results. Loss of key employees or our inability to attract and retain new qualified employees could hurt our business and inhibit our ability to operate and grow successfully. Our success in the highly competitive pizza delivery and carryout business will continue to depend to a significant extent on our leadership team and other key management personnel. Although we have entered into employment agreements with Russell J. Weiner and Joseph H. Jordan, each of these executives may terminate his agreement on ninety days’ notice ~~. Our~~ **and our** other executive officers may ~~terminate~~ **do** ~~their~~ -- **the same** ~~employment pursuant to their employment agreements at any time~~ . As a result, we may not be able to retain our executive officers and key personnel or attract additional qualified management. While we do not have long- term employment agreements with our executive officers, for all of our executive officers we have non- compete and non- solicitation agreements that extend for 24 months following the termination of such executive officer’ s employment, although the FTC has proposed a new rule that would ban the use of non- compete agreements. Our success will also continue to depend on our ability to attract and retain qualified personnel to operate our stores, dough manufacturing and supply chain centers and international operations. The loss of these employees or our inability to recruit and retain qualified personnel, including general managers or other store- level team members, or our inability to adequately respond to changes in the labor market, could adversely affect our operating results. Changes we make to our current and future work environments may not meet the needs or expectations of our employees and may be perceived as less favorable compared to other companies ~~'~~ **’** policies, which could negatively impact our ability to hire and retain qualified personnel. Our international operations subject us to additional risk. Such risks and costs may differ in each country in which we and our franchisees do business and may cause our profitability to decline due to increased costs. We conduct a significant and growing portion of our business outside the U. S. Our financial condition and results of operations **have at times been and** may **in the future** be adversely affected if global markets in which our franchised stores compete are affected by changes in political, economic or other factors. These factors, many over which neither we nor our master franchisees have control, may include both internal and external factors including: • recessionary or expansive trends in international markets and global markets and economic downturns; • changing labor conditions and difficulties in staffing and managing our foreign operations; • increases in the taxes we pay and other changes in applicable tax laws both in the U. S. and globally; • tariffs and trade barriers or foreign policy changes; • legal and regulatory changes, and the burdens and costs of our compliance with a variety of foreign laws; • changes in inflation rates or foreign exchange rates and the imposition of restrictions on currency conversion or the transfer of funds; • ongoing and new relationships between our master franchisees and order and delivery aggregators our master franchisees may partner with internationally and the success of those aggregators and relationships; • difficulty in collecting our royalties and longer payment cycles; • expropriation of private enterprises; • the inherent risk of doing business in China resulting from our equity investment in DPC Dash; • national and international conflicts, sanctions, acts of war or terrorist acts; • increases in anti- American sentiment and the identification of Domino' s as an American brand **, including those seen as a result of the geopolitical tensions in the Middle East and further escalations and the impact thereof** ; and • political and economic instability and uncertainty around the world **and related geopolitical risk** . Our earnings and business growth strategy depend on the success of our franchisees, and we may be harmed by actions taken by our franchisees, or employees of our franchisees, that are outside of our control. A significant portion of our earnings comes from royalties and fees generated by our franchise stores. Franchisees are independent operators, and their employees are not our employees. We provide tools that franchisees can consider using in training their employees, but the quality of franchise store operations and our brand and branded products may be diminished by numerous factors beyond our control. Consequently, franchisees may not operate stores in a manner consistent with our standards and requirements or they or their employees may take other actions that adversely affect the value of our brand **and harm** ~~. In such event,~~ our business and reputation ~~may suffer, and as a result our revenues and stock price could decline~~ . Our success also depends in part on continuing positive relationships with our franchisees (and positive relationships between our international master franchisees and their corresponding sub- franchisees) and if those relationships were to deteriorate, our revenues and stock price could decline. While we try to ensure that franchisees maintain the quality of the Domino' s brand and branded products and comply with their franchise agreements, franchisees may take actions that adversely affect the value of our intellectual property or reputation or that are inconsistent with their contractual obligations. Although our franchise arrangements permit the applicable franchisor to terminate a franchise agreement ~~under~~ **in** certain circumstances, including the failure by franchisees to uphold product or operating standards, there **is** ~~can be~~ no assurance that such remedy will be available or sufficient to prevent harm to our brand and protect our intellectual property. As of ~~January 1~~ **December 31** , 2023, we had ~~725~~ **735 independent** U. S. franchisees operating 6, ~~400~~ **566** U. S. stores. As of that same date, 22 of these franchisees each owned and operated more than 50 U. S. stores, including our largest U. S. franchisee who owned and operated ~~162~~ **143** stores and the average U. S. franchisee owned and operated approximately nine stores. Our international master franchisees are generally responsible for the development of significantly more stores than our U. S. franchisees. As a result, our international operations are more closely tied to the success of a smaller number of franchisees than our U. S. operations. As of ~~January 1~~ **December 31** , 2023, our largest international master franchisee operated 3, ~~751~~ **840** stores in ~~13~~ **12** markets, which accounted for approximately 28 % of our total international store count. Our U. S. and international franchisees may not operate their franchises successfully. If one or more of our key franchisees were to **be unsuccessful,** become insolvent or otherwise were unable or unwilling to pay us our royalties or other amounts owed, our business and results of operations would be adversely affected. We may not be able to adequately protect our intellectual property, which could harm the value of our brand and branded products and adversely affect our business. We depend in large part on our brand and branded products and believe that they are very important to our business. We rely on a combination of trademarks, copyrights, domain names, patents, trade secrets and similar intellectual property rights to protect our brand and branded products. The success of our business depends on our continued ability to use our existing trademarks in order to capitalize on our name recognition, increase brand awareness and further develop our branded products in both U. S. and international markets. We have registered certain trademarks and have other trademark applications pending in the U. S. and foreign jurisdictions. Not all of the trademarks or domain names that we currently use or contemplate using have been registered in all of the countries in which we do business, and they may never be registered in all of these countries. Some countries' laws do not protect unregistered trademarks at all, or make them more difficult to enforce, and third parties may have filed for " Domino' s " or similar marks in countries where Domino' s has not registered its brand for reasons including lack of presence by the brand where actual use is required to obtain trademark registration. **In addition, certain countries have use requirements to maintain a trademark registration. In those countries where we do not currently operate but have registered trademarks, we may be unable to renew those registrations when they expire due to non- use.** Accordingly, we may not be able to adequately protect our trademarks everywhere in the world and our use of these trademarks may result in liability for trademark infringement, trademark dilution or unfair competition. All of the steps we have taken to protect our intellectual property globally may not be adequate. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the U. S. We may, from time to time, be required to institute or defend litigation to enforce our intellectual property rights, or to protect our trade secrets. Such litigation could result in substantial costs and diversion of resources and could negatively affect our sales, profitability and prospects regardless of whether we are able to successfully enforce our rights. The occurrence of cyber incidents, or a deficiency in cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of confidential information, or damage to our employee and business relationships, any of which could subject us to loss and harm our brand. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data or steal confidential information about customers, franchisees, suppliers or employees. Many retailers and other companies have recently experienced serious cyber incidents and breaches of their information technology systems. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced **,** and we may further be negatively impacted to the extent outdated or legacy systems cease to function appropriately. We have in the past been and in the future may also be subject to negative impacts to our business caused by cyber incidents relating to our third-party service providers or the service providers of those third parties or our franchisees. The primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our relationships with customers, franchisees and employees, private data exposure, including payment card or other financial data, public relations impact and regulatory fines. In addition to maintaining insurance coverage to address cyber incidents, we have also implemented processes, procedures and controls to help mitigate these risks. ~~However, our~~ **The costs related to** cyber ~~insurance coverage~~ **or other security threats or disruptions** may not **be** fully ~~cover all of the costs associated with a cyber incident~~ **insured or indemnified by others, including by our service providers** and these measures, as well as our increased awareness of the risk of a cyber incident, do not guarantee that our reputation and financial results will not be materially and adversely affected by such an incident **. Our business continuation or disaster recovery programs may not be sufficient to mitigate the harm that could result from such disaster or disruption, and insurance and other safeguards may only partially reimburse us for our losses, if at all. Artificial intelligence (" AI ") technologies may intensify our cybersecurity risks. We depend on the performance of suppliers, aggregators and other third parties in our business operations. Third- party business processes we utilize include information technology, gift card authorization and processing, other payment processing, benefits, and other accounting and business services. The failure of our suppliers, aggregators and other third parties to maintain adequate controls or comply with our expectations and standards could have a material adverse effect on our business** . Our and our franchisees' operations depend upon our ability and the ability of franchisees, third- party service providers and the service providers of those third parties (as well as franchisees' third- party service providers and the service providers of those third parties) ~~,~~ to protect computer equipment and systems against damage from theft, fire, power loss, telecommunications failure and other catastrophic or unanticipated events, as well as internal and external security incidents, viruses, denial- of- service attacks, phishing attacks, ransomware attacks and other intentional or unintentional disruptions. **The rapid evolution and increased adoption of artificial intelligence technologies amplifies these concerns.** A significant portion of our retail sales depends on the continuing operation of our information technology and communications systems, including **DOM OS** ~~Domino' s PULSE ™~~ , our online and mobile ordering platforms and our credit card processing systems. The failure of these systems to operate effectively, stemming from maintenance problems, upgrading or transitioning to new platforms, a compromise in our security or other unanticipated problems has at times in the past and in the future could result in interruptions to or delays in our and our franchisees' operations, and some of our systems are not fully redundant. The occurrence of a natural disaster, intentional sabotage or other unanticipated problems could result in lengthy interruptions in service. **The recent increase in remote working could also exacerbate certain risks to our business, including an increased risk of cyber incidents and improper dissemination of personal or confidential information.** In addition, the implementation of technology changes and upgrades to maintain and upgrade our systems, errors or vulnerabilities in our systems, or damage to or failure of our systems, including because of systems becoming obsolete, could result in interruptions in our services and non- compliance with certain laws or regulations, which could reduce our sales, revenues and profits and damage our business and brand ~~. Additionally, we have seen a significant increase in remote working that, particularly in light of such remote working continuing for an extended period of time, could exacerbate certain risks to our business, including an increased risk of cyber incidents and improper dissemination of personal or confidential information~~ . Because we and our franchisees accept electronic forms of payment from customers including credit cards, our business requires the collection and retention of customer data, including sensitive financial data and other personally identifiable information in various information systems that are maintained by third parties with whom we and our franchisees contract to provide payment processing. A weakness in such third party' s systems or software products (or in the systems or software products in the service providers of those third parties) may provide a mechanism for a cyber threat. In recent years, a significant number of companies have experienced ~~security~~ data breaches in which customer information was stolen through vendor access channels. Cyber-attacks and ~~security~~ data breaches at a payment processing contractor could compromise confidential information or adversely affect our ability to deliver products and services to our customers. There is also a potential heightened risk of cyber security incidents as a result of geopolitical events outside of our control, such as the ongoing Russia- Ukraine conflict. These problems could negatively affect our results of operations, and remediation could result in significant, unplanned capital investments. We also maintain important internal Company data, such as personally identifiable information about our employees and franchisees and information relating to our operations. In addition, more than ~~80~~ **85** % of our U. S. retail sales in ~~2022~~ **2023** were derived from digital channels, primarily through our online ordering website and mobile applications, where customers enter personally identifiable information that we retain. Our use and retention of personally identifiable information is regulated by foreign, federal and state laws and regulations, as well as by certain third- party agreements. For example, the ~~Court of Justice of the European Union invalidated the U. S. – E. U. Privacy Shield framework, which was a commonly relied upon mechanism for exchanging personal data from the European Union to the U. S., in the July 16, 2020 " Schrems II " decision (Case C- 311 / 18 Data Protection Commissioner v. Facebook Ireland and Maximillian Schrems) and the~~ State of California has adopted the California Privacy Rights Act of 2020, an amendment to the California Consumer Privacy Act, ~~both of~~ **and several other states have adopted similar comprehensive data protection laws,** which may require companies to change their practices for handling of personal data **, including allowing consumers to request that we delete certain personal data** . In addition, the State of New York promulgated the New York SHIELD Act **, like laws in several other states,** which ~~has imposed~~ **imposes** obligations on businesses to implement physical, administrative and technical security measures to protect personal data. As privacy and information security laws and regulations change, we may incur additional costs to ensure that we remain in compliance with those laws and regulations, and our current and future planned uses of personal and other data may be adversely affected by future adopted privacy and information security laws, regulations and rulings. If our security and information systems are compromised or if we, our employees or franchisees fail to comply with these laws, regulations or contract terms, or to successfully implement processes related to requirements, laws and regulations governing cyber incidents **, it** could require us to notify customers, employees or other groups ~~, and~~ **. This** could result in adverse publicity, loss of sales and cash flows, increased fees payable to third parties and fines, penalties or remediation and other costs that could adversely affect our reputation, business and results of operations. Any other material disruption or other adverse event affecting one or more of our digital ordering platforms, including, for instance, power loss, technological or systems failures, user error or cyber- attacks, could similarly result in adverse publicity, loss of sales and cash flows and other costs, which could in turn materially and adversely affect our reputation, business and results of operations. We cannot predict the impact that new or improved technologies, alternative methods of delivery, including autonomous vehicle delivery, or changes in consumer or employee behavior facilitated by these technologies and alternative methods of delivery will have on our business. Advances in technologies or alternative methods of delivery, including advances in digital ordering technology and autonomous vehicle delivery, or certain changes in consumer behavior driven by these or other technologies and methods of delivery could have a negative effect on our business and market position. Moreover, technology and consumer offerings continue to develop, and we expect that new or enhanced technologies and consumer offerings will be available in the future. We may pursue certain of those technologies and consumer offerings if we believe they offer a sustainable customer proposition and can be successfully integrated into our business model. However, we cannot predict consumer acceptance of these delivery channels or their impact on our business. **We may incorporate traditional and generative AI solutions into our business, and these solutions may become important in our operations over time. The use of these AI solutions may expose us to additional risks and expenses.** In addition, our competitors, some of whom have greater resources than we do, may be able to benefit **more** from changes in technologies or consumer acceptance of alternative methods of delivery ~~, which could harm our competitive position~~ . There can be no assurance that we will be able to successfully respond to changing consumer preferences, including with respect to new technologies and alternative methods of delivery, or to effectively adjust our product mix, service offerings, and marketing and merchandising initiatives for products and services that address, and anticipate advances in, technology and market trends. Alternative methods of delivery may also impact the potential labor pool from which we recruit our delivery experts and could reduce the available supply of labor. If we are not able to successfully respond to these challenges, our business ~~, market share, financial condition, and operating results~~ could be materially and adversely affected. We are subject to a variety of additional risks associated with our franchisees. Our franchise system subjects us to a number of additional risks, any one of which may impact our ability to collect royalty payments and fees from our franchisees, may harm the goodwill associated with our brand, and / or may materially and adversely impact our business and results of operations. Such risks may also apply to us as owners of stores. These risks include, but are not limited to: • those relating to the application of local, state, federal and foreign bankruptcy laws and other applicable laws governing creditors' rights generally and the impact such laws could have on our ability to collect payments and fees under applicable franchise agreements; • those relating to franchisees that are operating entities, which generally are not limited- purpose entities, including business, credit, financial and other risks in addition to risks related to unions; • those relating to franchisee changes in control and succession in general and the ability to find acceptable successors who are able to perform a former franchisee' s obligations under applicable franchise agreements or successfully operate impacted stores in the event of a change of control or other succession event; • those relating to franchisee insurance, including the inadequacy of, or inability to obtain, insurance coverage, losses in excess of policy limits or payments not being made on a timely basis, extraordinary hazards not being subject to coverage (or only being subject to coverage at prohibitively high rates) or third parties seeking to recover losses from us to the extent those losses experienced by such third parties are either not covered by the franchisee' s insurance or exceed the policy limits of the franchisee' s insurance; • those relating to instances of termination of or default under a franchisee' s franchise agreement or the non- renewal thereof at the end of such agreement' s expiration date and the corresponding impact on the franchisee' s or our operations; • those relating to product liability exposure or noncompliance with labor and employment, health and safety regulations and the impact such events could have on a franchisee' s ability to make payments under applicable franchise agreements, on us if an aggrieved party seeks to recover their losses from us and on our brand' s reputation; • the imposition of injunctive relief, fines, damage awards or capital expenditures under laws or regulations that could adversely affect the ability of a franchisee to make payments under applicable franchise agreements; • litigation involving franchisees, including litigation involving us or litigation involving a third- party directed at a franchisee, which could impede the ability of a defendant- franchisee to make its royalty payments and divert our resources regardless of whether the allegations in such litigation are valid or whether we are liable; and • those relating to the reliance of a franchised store business on its franchisees and the nature of franchisees in general, including the retention of franchisees (especially including our top- performing franchisees) in the future or our ability to attract, retain, and motivate sufficient numbers of franchisees of the same caliber in the future as well as our ability to maintain a positive and constructive relationship with our franchisees. Our current insurance coverage may not be adequate, insurance premiums for such coverage may increase and we may not be able to obtain insurance at acceptable rates, or at all. For certain periods prior to December 1998 and for periods after December 2001, we maintain insurance coverage for workers' compensation, general liability and owned and non- owned automobile liabilities. We are generally responsible for up to $ 2. 0 million per occurrence under these retention programs for workers' compensation and general liability, depending on policy year and line of coverage. We are generally responsible for up to between $ 500, 000 and $ 5. 5 million per occurrence under these retention programs for owned and non- owned automobile liabilities, depending on policy year and line of coverage. Total insurance limits under these retention programs vary depending upon the period covered and range up to $ 110. 0 million per occurrence for general liability and owned and non- owned automobile liabilities and up to the applicable statutory limits for workers' compensation. These insurance policies may not be adequate to protect us from liabilities that we incur in our business. In addition, in the future our insurance premiums may increase, and we may not be able to obtain similar levels of insurance on reasonable terms, or at all. Any such inadequacy of, or inability to obtain insurance coverage could have a material adverse effect on our business, financial condition and results of operations. Environmental, social and governance matters may impact our business and reputation. Increasingly, in addition to the importance of their financial performance, companies are being judged by their performance on a variety of environmental, social and governance (" ESG ") matters, which are considered to contribute to the long- term sustainability of companies' performance. ~~A variety of organizations measure the performance of companies on such ESG topics, and the results of these assessments are widely publicized. In addition, major~~ **Major** institutional investors have publicly emphasized the importance of such ESG matters to their investment decisions. Further, we ~~recently announced our goal to~~ set and ~~reach~~ **submitted our Science Based Targets for validation in 2023 and have established a commitment to achieve those** Science Based Targets by 2032 and achieve net zero carbon emissions by 2050. Execution of these strategies and achievement of these goals are subject to risks and uncertainties, many of which are outside of our control and may prove to be more costly than we anticipate. These risks and uncertainties include, but are not limited to, our ability to execute our strategies and achieve our goals within the currently projected costs and the expected timeframes; unforeseen design, operational and technological difficulties; the outcome of research efforts and future technology developments; the success of our collaboration with franchisees and other third parties; and the actions of competitors and competitive pressures. There is no assurance that we will be able to successfully execute our strategies and achieve our goals. Failure to achieve our goals could damage our reputation and customer, investor and other stakeholder relationships **and** ~~. Such conditions could~~ have an adverse effect on our business, results of operations and financial condition, as well as on our stock price. There also has been increased political focus, including by U. S. and foreign governmental authorities, on environmental sustainability matters, such as climate change, the reduction of greenhouse gases and water ~~consumption~~ **usage; there has also been pushback to certain ESG initiatives in recent years which could also have an adverse effect** . The SEC has included in its regulatory agenda proposed rulemaking on climate change disclosures that, if adopted, could significantly increase compliance burdens and associated regulatory costs and the complexity of the regulatory framework. Legislative, regulatory or other efforts to combat climate change or other ESG concerns could also result in new or more stringent forms of oversight and expanding mandatory and voluntary reporting, diligence and disclosure, which could increase costs, bring additional focus and further impact our business, results of operations and financial condition. Any failure or perceived failure by us to manage ESG issues successfully could have a material adverse effect on our reputation and on our business, results of operations, financial condition or stock price, including the sustainability of our business over time. Risks Related to Our Indebtedness Our substantial indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business. We have a substantial amount of indebtedness. As of ~~January 1~~ **December 31** , 2023, our consolidated total indebtedness was approximately $ ~~5~~ **4** . ~~02~~ **99** billion. We may also incur additional debt, which would not be prohibited under the terms of our current securitized debt agreements. Our substantial indebtedness could have important consequences for our business and our shareholders. For example, it could: • make it more difficult for us to satisfy our obligations with respect to our debt agreements; • increase our vulnerability to general adverse economic and industry conditions; • require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes; and • limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, thereby placing us at a competitive disadvantage compared to our peers that may have less debt. Further, our 2021 Variable Funding Notes **and 2022 Variable Funding Notes** bear interest at fluctuating interest rates that in certain circumstances is based on ~~the London interbank offered rate (" LIBOR "). In 2021, ICE Benchmark Administration Limited, the administrator for LIBOR, confirmed its intention to cease the publication of any U. S. dollar LIBOR settings immediately following the LIBOR publication on June 30, 2023. Our 2021 Variable Funding Notes loan documents provide that after the date on which the administrator for LIBOR permanently or indefinitely ceases to provide all available settings of U. S. dollar LIBOR, any new advances under the 2021 Variable Funding Notes that would otherwise have borne interest based on LIBOR, as well as any existing LIBOR advances for which the interest period has expired, will instead bear interest at~~ a forward- looking term rate based on the Secured Overnight Financing Rate (" Term SOFR ") ~~, plus~~ **. Term SOFR is** a ~~spread adjustment,~~ **relatively new index** that **is administered** ~~in each case have been selected or recommended~~ by ~~the Board of Governors of the Federal Reserve System or~~ the Federal Reserve Bank of New York **(** ~~. The loan documents also permit the lenders to effect a transition from LIBOR to Term SOFR at an earlier date, subject to certain conditions. Because the composition and characteristics of Term SOFR are not the same as those~~ -- **the** ~~of LIBOR,~~ **" New York Fed "). ~~there~~ There** can be no assurance that **the New York Fed will not discontinue the publication of** Term SOFR ~~will perform the same way LIBOR~~ **, in which case interest payments on our 2021 Variable Funding Notes and 2022 Variable Funding Notes** would ~~have at any given time or~~ **need to be calculated using a different index,** ~~for~~ - **or** ~~any applicable period~~ **alter the manner in which Term SOFR is calculated** . As a result, our interest expense could increase, in which event we may have difficulties making interest payments and funding our other fixed costs, and our available cash flow for general corporate requirements may be adversely affected. Our interest expense could also be increased by ~~the~~ rising interest ~~rate environment, which could potentially have an adverse impact on our 2021 Variable Funding Notes, as well as on our 2022 Variable Funding Notes, which bear interest at fluctuating interest~~ rates ~~that in certain circumstances are based on Term SOFR~~ . In addition, the financial and other covenants we agreed to with our lenders may limit our ability to incur additional indebtedness, make investments, pay dividends and engage in other transactions, and the leverage may cause potential lenders to be less willing to loan funds to us in the future. Our failure to comply with these covenants could result in an event of default that, if not cured or waived, could result in the acceleration of repayment of all of our indebtedness. Downgrades in our credit ratings could impact our ability to access capital and materially and adversely affect our business, financial condition and results of operations. Our debt is rated by credit rating agencies. These agencies may downgrade their credit ratings for us based on the performance of our business, our capital strategies or their overall view of our industry. There can be no assurance that any rating assigned to our currently outstanding indebtedness will remain in effect for any given period of time or that any such ratings will not be lowered, suspended or withdrawn entirely by a rating agency if, in that agency' s judgment, circumstances so warrant. A downgrade of our credit ratings could, among other things, increase our cost of borrowing, limit our ability to access capital or result in more restrictive covenants in agreements governing the terms of any future indebtedness that we may incur, and thereby could adversely impact our business and operations. We may be unable to generate sufficient cash flow to satisfy our significant debt service obligations, which would adversely affect our financial condition and results of operations. Our ability to make principal and interest payments on and to refinance our indebtedness will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If our business does not generate sufficient cash flow from operations, in the amounts projected or at all, or if future borrowings are not available to us under our variable funding notes in amounts sufficient to fund our other liquidity needs, our financial condition and results of operations may be adversely affected. If we cannot generate sufficient cash flow from operations to make scheduled principal amortization and interest payments on our debt obligations in the future, we may need to refinance all or a portion of our indebtedness on or before maturity, sell assets, delay capital expenditures or seek additional equity. If we are unable to refinance any of our indebtedness on commercially reasonable terms or at all or to affect any other action relating to our indebtedness on satisfactory terms or at all, our business may be harmed. The terms of our securitized debt financing of certain of our wholly- owned subsidiaries have restrictive terms and our failure to comply with any of these terms could put us in default, which would have an adverse effect on our business and prospects. Unless and until we repay all outstanding borrowings under our securitized debt, we will remain subject to the restrictive terms of these borrowings. The securitized debt, under which certain of our wholly- owned subsidiaries issued and guaranteed fixed rate notes and variable funding senior revolving notes, contain a number of covenants, with the most significant financial covenant being a debt service coverage calculation. These covenants limit the ability of certain of our subsidiaries to, among other things: • sell assets; • alter the business we conduct and engage in mergers, acquisitions and other business combinations; • declare dividends or redeem or repurchase capital stock; • incur, assume or permit to exist additional indebtedness or guarantees and make loans and investments; • incur liens; and • enter into transactions with affiliates. The securitized debt also requires us to maintain specified financial ratios at the end of each fiscal quarter. These restrictions could affect our ability to pay dividends or repurchase shares of our common stock. Our ability to meet these financial ratios can be affected by events beyond our control, and we may not satisfy such a test. A breach of ~~this~~ **these** ~~covenant~~ **covenants** could result in a rapid amortization event or default under the securitized debt. If amounts owed under the securitized debt are accelerated because of a default under the securitized debt and we are unable to pay such amounts, the investors may have the right to assume control of substantially all of the securitized assets. During the term following issuance, the outstanding senior notes will accrue interest in accordance with the terms of the debt agreements. Additionally, our senior notes have original scheduled principal payments of $ 51. 5 million in ~~each of 2023 and~~ 2024, $ 1. 17 billion in 2025, $ 39. 3 million in 2026, $ 1. 31 billion in 2027, $ 811. 5 million in 2028, $ 625. 9 million in 2029, $ 10. 0 million in 2030 and $ 905. 0 million in 2031. In accordance with our debt agreements, the payment of principal on the outstanding senior notes may be suspended if the leverage ratio for the Company is less than or equal to 5. 0x total debt, as defined, to adjusted EBITDA, as defined in the indenture governing our securitized debt, and no catch- up provisions are applicable. If we are unable to refinance or repay amounts under the securitized debt prior to the expiration of the term, our cash flow would be directed to the repayment of the securitized debt and, other than a weekly management fee sufficient to cover minimal selling, general and administrative expenses, would not be available for operating our business. No assurance can be given that any refinancing or additional financing will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our access to capital is affected by prevailing conditions in the financial and capital markets and other factors beyond our control. There can be no assurance that market conditions will be favorable at the times that we require new or additional financing. The indenture governing the securitized debt will restrict the cash flow from the entities subject to the securitization to any of our other entities and upon the occurrence of certain events, cash flow would be further restricted. In the event that a rapid amortization event occurs under the indenture (including, without limitation, upon an event of default under the indenture or the failure to repay the securitized debt at the end of its term), the funds available to us would be reduced or eliminated, which would in turn reduce our ability to operate or grow our business. Regulatory, Legal and Compliance Risks We face risks of litigation, investigations, enforcement actions and negative publicity from customers, franchisees, suppliers, employees, regulators and others in the ordinary course of business, which could divert our financial and management resources. Litigation, investigations, enforcement actions or publicity may adversely impact our financial condition and results of operations. Claims of illness or injury relating to food quality or food handling are common in the food service industry, and vehicular accidents and injuries occur in the food delivery business. We are currently subject to these types of claims and have been subject to these types of claims in the past. Claims within our industry of improper supplier actions also occasionally arise that, if made against one of our suppliers, could potentially damage our brand image. In addition, class action lawsuits have been filed, and may continue to be filed, against various QSRs alleging, among other things, that QSRs have failed to disclose the health risks associated with high- fat foods and that QSR marketing practices have encouraged obesity. State attorney general offices or other regulators have initiated and may in the future initiate investigations or enforcement actions against us. In addition to decreasing our sales and profitability and diverting our management resources, adverse publicity resulting from such allegations may materially and adversely affect us and our brand, regardless of whether such allegations are valid or whether we are liable, and could result in a substantial settlement, fine, penalty or judgment against us. Further, we may be subject to employee, franchisee and other claims in the future based on, among other things, discrimination, harassment, working and safety conditions, wrongful termination and wage, expense reimbursement, rest break and meal break issues, including claims relating to minimum wage and overtime compensation. We and our international master franchisees have been and continue to be subject to these types of claims. If one or more of these claims were to be successful or if there is a significant increase in the number of these claims or if we receive significant negative publicity, our business, financial condition and operating results could be harmed. We and our franchisees are subject to extensive laws and government regulation and requirements issued by other groups and our failure to comply with existing or increased laws and regulations could adversely affect our business and operating results. We are subject to numerous federal, state, local and foreign laws and regulations, as well as requirements issued by other groups, including those relating to: • the preparation, sale and labeling of food; • building and zoning requirements and environmental protection; • labor and employment, including minimum wage, overtime, insurance, discrimination and other labor requirements as well as working and safety conditions; • franchise arrangements; • taxation; • antitrust; • payment card industry standards and requirements; and • **advertising,** social media, information privacy and consumer protection. We are subject to an FTC rule and to various state and foreign laws that govern the offer and sale of franchises. These laws regulate various aspects of the franchise relationship, including terminations and the refusal to renew franchises. The failure to comply with these laws and regulations in any jurisdiction or to obtain required government approvals could result in a ban or temporary suspension on future franchise sales, fines or other penalties or require us to make offers of rescission or restitution, any of which could adversely affect our business. We and our franchisees face various regulatory and legislative efforts to enforce employment laws, such as efforts to categorize franchisors as the co- employers or joint employers of their franchisees' employees or to aggregate individual franchised businesses and classify them as large employers for minimum wage or other employment- related purposes. In ~~August 2015~~ **October 2023** , the National Labor Relations Board (" NLRB ") adopted a **final rule with a** new and broader standard **grounded in common law agency principles** for determining when two or more otherwise unrelated employers may be found to be a joint employer of the same employees under the National Labor Relations Act **(the " NLRA ")** . The ~~NLRB issued a final rule which became effective April 27, 2020 that reinstates the standard that was in place before August 2015. In December 2019, the NLRB directed an administrative law judge to approve settlement agreements (rather than rejecting the settlement and allowing the claims asserting that the franchisor should be the joint employer of its franchisees' employees to proceed) in a decision related to another franchise system. On April 22, 2022, a federal appellate court rejected an appeal seeking to overturn that decision. The NLRB issued a proposed rule on September 6, 2022 that largely reestablishes the August 2015 joint employer standard. If the~~ NLRB' s **final** ~~September 2022 proposed~~ rule ~~goes~~ **is scheduled to go** into effect ~~or~~ **on February 26, 2024; if it** is adopted by other government agencies and / or applied generally to franchise relationships, it could cause us to be liable or held responsible for unfair labor practices and other violations of our franchisees and subject us to other liabilities, and require us to conduct collective bargaining negotiations regarding employees of totally separate, independent employers, most notably our franchisees. In such event, our operating expenses may increase as a result of required modifications to our business practices, increased litigation, governmental investigations or proceedings, administrative enforcement actions, fines and civil liability. Additionally, ~~depending~~ **based** upon the outcome and application of ~~certain~~ **recent** legal proceedings ~~pending or concluded~~ in federal court in California involving the California wage and hour laws in another franchise system, franchisors may be subject to claims that their franchisees should be treated as employees and not as independent contractors under the wage and hour laws of that state and, potentially, certain other states and localities with similar wage and hour laws. The California legislature has enacted a statute known as Assembly Bill 5 (AB- 5), which went into effect on January 1, 2020. AB- 5 requires " gig economy " workers to be reclassified as employees instead of independent contractors. However, depending upon the application of AB- 5, franchisors in certain industries could be deemed to be covered by the statute, in which event certain franchisees could be deemed employees of the franchisors. While active efforts to narrow the reach of AB- 5 continue, a bill (SB 967), which was introduced specifically to exempt the relationship between a franchisor and franchisee from the scope of AB- 5, was not successful in the legislature. On November 3, 2020, the California electorate approved proposition 22, the effect of which is to exempt app- based transportation (ride shares) and delivery drivers from the application of AB- 5 by treating these workers as independent contractors, rather than employees, provided certain conditions are met. The ballot measure does not affect how AB- 5 applies to other businesses and workers. ~~If~~ **Given that** misclassification claims ~~are~~ **have been** successful against or applied to a franchisor under AB- 5 ~~or any other~~ **and may be successful under** similar state ~~law~~ **laws** , a franchisor could be liable to its franchisees (and potentially their employees) based the rights and remedies available to employees under such laws and, thereafter, have to treat its franchisees (and their employees) as the franchisor' s employees under these laws. We and our franchisees are subject to the Fair Labor Standards Act of 1938, as amended (the " **FLSA** ~~Fair Labor Standards Act~~ "), which, along with the Family and Medical Leave Act, governs such matters as minimum wage and overtime requirements and other working conditions and various family leave mandates, as well as a variety of other laws enacted, or rules and regulations promulgated, by federal, state and local governmental authorities that govern these and other employment matters. We and our franchisees have experienced and expect further increases in payroll expenses as a result of government- mandated increases in the minimum wage, **some specific** ~~and although such increases are not currently expected~~ to ~~be material~~ **employees of national fast food chains** , ~~there~~ **which** may be material ~~increases in the future~~ , including as a result of ~~the FAST Act~~ **California' s AB 1228** . Enactment and enforcement of various federal, state and local laws, rules and regulations on immigration and labor organizations may adversely impact the availability and costs of labor for Domino' s and franchisees' stores in a particular area or across the United States. In addition, third- party suppliers may be affected by higher minimum wage standards, which may increase the price of goods and services they supply to us. Such increased expenses may cause our franchisees to exit the business or cause us to reduce the number of Company- owned stores, or otherwise adversely affect the amount of royalty payments and license fees we receive. On January 12, 2020, the U. S. Department of Labor announced a final rule to update and clarify the definition of joint employer under the **FLSA** ~~Fair Labor Standards Act~~ . Under the final rule, the general test for assessing whether a party can be deemed a joint employer would be based upon whether that party (i) hires or fires the employee; (ii) supervises and controls the employee' s work schedule or conditions of employment; (iii) determines the employee' s rate and method of payment; and (iv) maintains the employee' s employment records. In the final rule, the Department of Labor describes instances in which joint employment would not be more or less likely to be found to exist under the **FLSA** ~~Fair Labor Standards Act~~ , which, according to the Department of Labor, includes the relationships that exist under the typical franchise business model. This rule may reduce a franchisor' s risk of liability that currently exists under the joint employer standard now in effect under the **FLSA** ~~Fair Labor Standards Act~~ (though ultimately, the facts specific to the franchisor- franchisee model at issue would be considered when determining liability). On ~~September 8, 2020, a federal district court struck down a significant portion of the final rule. On~~ July 29, 2021, the current administration' s Department of Labor issued a final rule rescinding the 2020 rule. The Department of Labor may revert to the more expansive interpretation of joint employer that existed prior to the adoption of the 2020 rule and / or interpretations that could result in franchisors being held liable or responsible for **FLSA** ~~Fair Labor Standards Act~~ violations by their franchisees. The rules of the Department of Labor are separate from the joint employer standard under the **NLRA** ~~National Labor Relations Act~~ or, as described above, potential liability as a joint employer under the ~~National Labor Relations Act~~ **NLRA. In October 2023, the FTC proposed a rule targeting misleading and hidden fees and how businesses may advertise and market prices to consumers; a law addressing hidden fees will take effect in California starting July 1, 2024 after Senate Bill No. 478 was signed into law. The ultimate scope of these rules and laws is currently unknown, but could be determined to apply to restaurants and fees such as delivery fees, service charges or surcharges that could impact the way we advertise to consumers. To the extent our advertising is negatively impacted, our business could be adversely affected** . Certain governmental authorities and private litigants have recently asserted claims against franchisors, including us, for provisions in our prior franchise agreements that restrict franchisees from soliciting or hiring the employees of other franchisees or the applicable franchisor. Claims against franchisors for such clauses include allegations that these clauses violate state and federal antitrust and unfair practices laws by restricting the free movement of employees of franchisees and / or franchisor (including the employees of Company- owned stores), thereby depressing the wages of those employees. The Patient Protection and Affordable Care Act (as amended, the " Affordable Care Act ") requires employers such as us to provide health insurance for all qualifying employees or pay penalties for not providing coverage. The majority of the increases in these costs began in 2015, and while the incremental costs of this program have not been material to us to date, we cannot predict what effect these costs will have on our results of operations and financial position, or the effects of the Affordable Care Act on some of our larger franchisees. Modifications to, or repeal of, all or certain provisions of the Affordable Care Act are also possible. Changes in tax laws or tax policy more broadly, increases in the enacted tax rates, adverse outcomes in connection with tax audits in any jurisdiction or any change in the pronouncements relating to accounting for income taxes could also impact our financial condition and results of operations. We may also become subject to legislation or regulation seeking to tax and / or regulate high- fat foods, foods with high sugar and salt content, or foods otherwise deemed to be " unhealthy, " and our capital expenditures could increase due to remediation and compliance measures related to these laws or regulations. Adverse government regulations and enforcement efforts or non- compliance by us or our franchisees with any of the foregoing laws and regulations could lead to various claims or governmental or judicial fines, sanctions or other enforcement measures, which could negatively impact our business. Market and General Risks Fluctuations in value of the U. S. dollar in relation to other currencies may lead to lower revenues and earnings. Exchange rate fluctuations could have an adverse effect on our results of operations and we have in the past experienced significant adverse changes in foreign currency rates. International franchise royalties and fees represented approximately 6. **9 %, 6.** 5 % ~~,~~ **and** 6. 8 % ~~and 6. 1 %~~ of our total revenues in **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively, a majority of which were denominated in foreign currencies. We also operate dough manufacturing and distribution facilities in Canada, which generate revenues denominated in Canadian dollars. Sales made by ~~franchise~~ **franchised** stores outside the U. S. are denominated in the currency of the country in which the store is located, and this currency could become less valuable in U. S. dollars as a result of exchange rate fluctuations. Unfavorable currency fluctuations could lead to increased prices to customers outside the U. S. or lower profitability to our franchisees outside the U. S., or could result in lower revenues for us, on a U. S. dollar basis, from such customers and franchisees. A hypothetical 10 % adverse change in the foreign currency rates in our international markets would have resulted in a negative impact on international royalty revenues of approximately $ ~~26~~ **27** . ~~1~~ **4** million in ~~2022~~ **2023** . Our annual and quarterly financial results are subject to significant fluctuations depending on various factors, many of which are beyond our control, and if we fail to meet the expectations of securities analysts or investors, our stock price may decline significantly or be subject to significant fluctuations. Our annual and quarterly financial results, including our sales and operating results, can vary significantly from quarter- to- quarter and year- to- year depending on various factors, many of which are beyond our control. These factors include, among other things: • variations in the timing and volume of our sales and our franchisees' sales, including same store sales; • the timing of expenditures in anticipation of future sales; • changes in the cost or availability of our ingredients or labor; • planned or actual changes to our capital or debt structure; • strategic actions by us or our competitors, such as sales promotions, acquisitions or restructurings; • changes in our dividend policy or any share repurchase program; • significant litigation or legislation or other regulatory developments affecting us or our industry; • changes in competitive and economic conditions generally as well as general market conditions; and • foreign currency exposure. As a result, our operational performance may decline quickly and significantly in response to changes in order patterns or rapid decreases in demand for our products. Any such decline may cause us and our franchisees to experience lower sales revenue. We anticipate that fluctuations in operating results will continue in the future, and such fluctuations may result in significant fluctuations or a significant decline in our stock price.