



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 28, 2004

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-21660

**PAPA JOHN'S INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**61-1203323**

(I.R.S. Employer Identification  
number)

**2002 Papa Johns Boulevard  
Louisville, Kentucky 40299-2334**  
(Address of principal executive offices)

**(502) 261-7272**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes

No

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Act).

Yes

No

At April 30, 2004, there were outstanding 17,638,944 shares of the registrant's common stock, par value \$.01 per share.

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**Papa John's International, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**

<u>(In thousands)</u>	<u>March 28, 2004</u> <u>(Unaudited)</u>	<u>December 28, 2003</u> <u>(Note)</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 9,045	\$ 7,071
Accounts receivable	23,277	19,717
Inventories	16,310	17,030
Prepaid expenses and other current assets	11,552	11,590
Deferred income taxes	6,671	7,050
<b>Total current assets</b>	<b>66,855</b>	<b>62,458</b>
Investments	7,512	7,522
Net property and equipment	204,737	203,818
Notes receivable from franchisees and affiliates	4,757	11,580
Goodwill	51,856	48,577
Other assets	16,102	13,259
<b>Total assets</b>	<b>\$ 351,819</b>	<b>\$ 347,214</b>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 25,267	\$ 28,309
Income and other taxes	13,673	12,070
Accrued expenses	41,907	40,288
Current portion of debt	4,077	250
<b>Total current liabilities</b>	<b>84,924</b>	<b>80,917</b>
Unearned franchise and development fees	6,782	5,911
Long-term debt, net of current portion	67,500	61,000
Deferred income taxes	7,778	7,881
Other long-term liabilities	30,097	32,233
<b>Stockholders' equity:</b>		
Preferred stock	—	—
Common stock	321	317
Additional paid-in capital	230,838	219,584
Accumulated other comprehensive loss	(2,836)	(3,116)
Retained earnings	302,407	293,921
Treasury stock	(375,992)	(351,434)
<b>Total stockholders' equity</b>	<b>154,738</b>	<b>159,272</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 351,819</b>	<b>\$ 347,214</b>

Note: The balance sheet at December 28, 2003 has been derived from the audited consolidated financial statements at that date but does not include all information and footnotes required by accounting principles generally accepted in the United States for a complete set of financial statements.

See accompanying notes.

**Papa John's International, Inc. and Subsidiaries**  
**Consolidated Statements of Income**  
**(Unaudited)**

<u>(In thousands, except per share amounts)</u>	<u>Three Months Ended</u>	
	<u>March 28, 2004</u>	<u>March 30, 2003</u>
<b>Domestic revenues:</b>		

Restaurant sales	\$	106,173	\$	106,242
Franchise royalties		12,911		12,517
Franchise and development fees		534		331
Commissary sales		94,536		93,868
Other sales		14,724		11,557
<b>International revenues:</b>				
Royalties and franchise and development fees		1,764		1,484
Restaurant and commissary sales		6,267		6,283
<b>Total revenues</b>		<u>236,909</u>		<u>232,282</u>
<b>Costs and expenses:</b>				
<b>Domestic restaurant expenses:</b>				
Cost of sales		25,859		23,496
Salaries and benefits		33,519		34,194
Advertising and related costs		9,447		9,762
Occupancy costs		6,401		6,094
Other operating expenses		13,643		13,919
Total domestic restaurant expenses		<u>88,869</u>		<u>87,465</u>
<b>Domestic commissary and other expenses:</b>				
Cost of sales		78,797		74,365
Salaries and benefits		7,179		7,330
Other operating expenses		14,237		13,021
Total domestic commissary and other expenses		<u>100,213</u>		<u>94,716</u>
Loss from the franchise cheese purchasing program, net of minority interest		372		—
International operating expenses		5,202		5,416
General and administrative expenses		18,534		16,552
Provision for uncollectible notes receivable		232		426
Restaurant closure, impairment and disposition losses		139		75
Other general expenses		953		491
Depreciation and amortization		7,561		7,910
<b>Total costs and expenses</b>		<u>222,075</u>		<u>213,051</u>
<b>Operating income</b>		<u>14,834</u>		<u>19,231</u>
Investment income		141		254
Interest expense		(1,397)		(1,908)
<b>Income before income taxes</b>		<u>13,578</u>		<u>17,577</u>
Income tax expense		5,092		6,592
<b>Net income</b>	<b>\$</b>	<u>8,486</u>	<b>\$</b>	<u>10,985</u>
Basic earnings per common share	<b>\$</b>	<u>0.48</u>	<b>\$</b>	<u>0.61</u>
Earnings per common share - assuming dilution	<b>\$</b>	<u>0.47</u>	<b>\$</b>	<u>0.61</u>
Basic weighted average shares outstanding		<u>17,833</u>		<u>17,919</u>
Diluted weighted average shares outstanding		<u>18,149</u>		<u>18,023</u>

See accompanying notes.

**Papa John's International, Inc. and Subsidiaries**  
**Consolidated Statements of Stockholders' Equity**  
(Unaudited)

(In thousands)	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity
<b>Balance at December 29, 2002</b>	18,041	\$ 314	\$ 212,107	\$ (5,314)	\$ 260,358	\$ (345,518)	\$ 121,947
Comprehensive income:							
Net income	—	—	—	—	10,985	—	10,985
Change in valuation of interest rate collar and swap agreements, net of tax of \$205	—	—	—	335	—	—	335
Other, net	—	—	—	(24)	—	—	(24)
Comprehensive income							11,296
Exercise of stock options	9	—	197	—	—	—	197
Tax benefit related to exercise of non-qualified stock options	—	—	12	—	—	—	12
Acquisition of treasury stock	(150)	—	—	—	—	(4,116)	(4,116)
Other	—	—	41	—	—	—	41
<b>Balance at March 30, 2003</b>	<u>17,900</u>	<u>\$ 314</u>	<u>\$ 212,357</u>	<u>\$ (5,003)</u>	<u>\$ 271,343</u>	<u>\$ (349,634)</u>	<u>\$ 129,377</u>
<b>Balance at December 28, 2003</b>	18,113	\$ 317	\$ 219,584	\$ (3,116)	\$ 293,921	\$ (351,434)	\$ 159,272
Comprehensive income:							
Net income	—	—	—	—	8,486	—	8,486
Change in valuation of interest rate swap agreement, net of tax of \$124	—	—	—	203	—	—	203
Other, net	—	—	—	77	—	—	77
Comprehensive income							8,766
Exercise of stock options	363	4	9,532	—	—	—	9,536
Tax benefit related to exercise of non-qualified stock options	—	—	1,162	—	—	—	1,162
Acquisition of treasury stock	(728)	—	—	—	—	(24,558)	(24,558)
Other	—	—	560	—	—	—	560
<b>Balance at March 28, 2004</b>	<u>17,748</u>	<u>\$ 321</u>	<u>\$ 230,838</u>	<u>\$ (2,836)</u>	<u>\$ 302,407</u>	<u>\$ (375,992)</u>	<u>\$ 154,738</u>

At March 30, 2003, the accumulated other comprehensive loss of \$5,003 was comprised of net unrealized loss on the interest rate swap agreement of \$4,693 and unrealized foreign currency translation losses of \$310.

At March 28, 2004, the accumulated other comprehensive loss of \$2,836 was comprised of net unrealized loss on the interest rate swap agreement of \$2,995, net unrealized loss on investments of \$27 and unrealized foreign currency translation gains of \$186.

See accompanying notes.

**Papa John's International, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

(In thousands)	Three Months Ended	
	March 28, 2004	March 30, 2003
<b>Operating activities:</b>		
Net cash provided by operating activities	\$ 11,103	\$ 25,930
<b>Investing activities:</b>		
Purchase of property and equipment	(4,378)	(3,874)
Purchase of investments	(1,014)	(410)
Proceeds from sale or maturity of investments	995	—
Loan repayments from franchisees and affiliates	1,573	703
Other	15	168
Net cash used in investing activities	(2,809)	(3,413)
<b>Financing activities:</b>		
Net proceeds (repayments) from line of credit facility	6,500	(20,000)
Net proceeds from short-term debt - variable interest entities (VIEs)	2,400	—
Payments on long-term debt	(250)	(235)
Proceeds from exercise of stock options	9,536	197
Acquisition of treasury stock	(24,558)	(4,116)
Other	(236)	161
Net cash used in financing activities	(6,608)	(23,993)
Effect of exchange rate changes on cash and cash equivalents	85	(24)
Change in cash and cash equivalents	1,771	(1,500)
Cash acquired from consolidation of VIEs	203	—
Cash and cash equivalents at beginning of period	7,071	9,499
Cash and cash equivalents at end of period	\$ 9,045	\$ 7,999

See accompanying notes.

**Papa John's International, Inc. and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

March 28, 2004

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Operating results for the three months ended March 28, 2004, are not necessarily indicative of the results that may be expected for the year ended December 26, 2004. For further information, refer to the consolidated financial statements and footnotes thereto included in the Annual Report on Form 10-K for Papa John's International, Inc. (referred to as the "Company", "Papa John's" or in the first person notations of "we", "us" and "our") for the year ended December 28, 2003.

**2. Adoption of New Accounting Pronouncement**

We adopted Statement of Financial Accounting Standards No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, (SFAS No. 150) during the third quarter of 2003. SFAS No. 150 requires parent companies to record minority interest liabilities at estimated settlement value if the majority-owned subsidiary has equity instruments that are redeemable at a fixed date and such redemption is certain to occur. We have a majority interest in one subsidiary, which owns and operates 24 Papa John's restaurants, that meets these provisions. During the third quarter of 2003, we recorded an after-tax cumulative effect adjustment of \$413,000 (\$660,000 pre-tax) or \$0.02 per share, in our Consolidated Statements of Income, related to the adoption of SFAS No. 150. SFAS No. 150 did not have a significant impact on our earnings for the first quarter of 2004.

**3. Accounting for Variable Interest Entities**

In January 2003, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51* (FIN 46). In December 2003, the FASB modified FIN 46 to make certain technical corrections and address certain implementation issues that had arisen. FIN 46 provides a new framework for identifying variable interest entities (“VIEs”) and determining when a company should include the assets, liabilities, noncontrolling interests and results of activities of a VIE in its consolidated financial statements.

In general, a VIE is a corporation, partnership, limited-liability corporation, trust, or any other legal structure used to conduct activities or hold assets that either (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that are unable to make significant decisions about its activities, or (3) has a group of equity owners that do not have the obligation to absorb losses or the right to receive returns generated by its operations.

FIN 46 requires a VIE to be consolidated if a party with an ownership, contractual or other financial interest in the VIE (a “variable interest holder”) is obligated to absorb a majority of the risk of loss from the VIE’s activities, is entitled to receive a majority of the VIE’s residual returns (if no party absorbs a majority of the VIE’s losses), or both. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE’s assets, liabilities and noncontrolling interests at fair value and subsequently account for the VIE as if it were consolidated based on majority voting interest. FIN 46 also requires disclosures about VIEs that the variable interest holder is not required to consolidate but in which it has a significant variable interest.

We have a purchasing arrangement with BIBP Commodities, Inc. (“BIBP”), a special purpose entity (“SPE”) formed at the direction of our Franchise Advisory Council in 1999, for the sole purpose of reducing cheese price volatility to domestic system-wide restaurants. BIBP is an independent, franchisee-owned corporation. BIBP purchases cheese at the market price and sells it to our distribution subsidiary, PJ Food Service, Inc. (“PJFS”), at a fixed quarterly price based in part upon historical average market prices. PJFS in turn sells cheese to Papa John’s restaurants (both Company-owned and franchised)

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at a set quarterly price. PJFS purchased \$32.9 million and \$31.7 million of cheese from BIBP for the three months ended March 28, 2004 and March 30, 2003, respectively.

We are the primary beneficiary of BIBP, a VIE, and we began consolidating the balance sheet of BIBP as of December 28, 2003. A cumulative effect adjustment was not required upon initial consolidation because BIBP had a surplus in stockholders’ equity at the December 28, 2003 adoption date, and such surplus was reflected as a minority interest liability in Other long-term liabilities in the consolidated balance sheet at December 28, 2003.

We will recognize the operating losses generated by BIBP if BIBP’s shareholders’ equity is in a net deficit position. Further, we will recognize the subsequent operating income generated by BIBP up to the amount of any losses previously recognized. We recognized a pre-tax loss of \$1.6 million (\$1.0 million net of tax, or \$0.05 per share) in the first quarter of 2004 from the consolidation of BIBP.

BIBP has a \$15.0 million line of credit with a commercial bank. The \$15.0 million line of credit is not guaranteed by Papa John’s. If the line of credit is fully utilized, Papa John’s will provide additional funding in the form of a loan to BIBP. BIBP had borrowings outstanding under the commercial line of credit facility of \$2.4 million at March 28, 2004 and no borrowings at December 28, 2003.

In addition, Papa John’s has extended loans to certain franchisees. Papa John’s is deemed the primary beneficiary of four of these franchise entities even though we have no ownership interest in them. These entities operate a total of 33 restaurants with annual revenues approximating \$20.0 million. Our net loan balance receivable from these four entities is \$5.0 million at March 28, 2004, with no further funding commitments. We began consolidating the balance sheets of these entities at the end of the first quarter of 2004, resulting in the recording of goodwill approximating \$3.3 million and the elimination of the \$5.0 million net loan balance receivable. In future periods, we will recognize the operating income (losses) generated by these four franchise entities. The impact on future operating income from the consolidation of these or other qualifying entities is not expected to be significant.

The following table summarizes the balance sheets of the VIEs as of March 28, 2004:

(In thousands)	BIBP	Franchisees	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 2,707	\$ 203	\$ 2,910
Accounts receivable	—	204	204
Accounts receivable - Papa John’s	2,813	—	2,813
Other assets	1,592	246	1,838
Net property and equipment	—	4,419	4,419
Goodwill	—	3,277	3,277
<b>Total assets</b>	<b>\$ 7,112</b>	<b>\$ 8,349</b>	<b>\$ 15,461</b>
<b>Liabilities and stockholders’ equity:</b>			
Accounts payable and accrued expenses	\$ 5,740	\$ 1,666	\$ 7,406
Debt - third party	2,400	1,677	4,077
Debt - Papa John’s	—	5,006	5,006
<b>Total liabilities</b>	<b>\$ 8,140</b>	<b>\$ 8,349</b>	<b>\$ 16,489</b>
Stockholders’ equity	(1,028)	—	(1,028)
<b>Total liabilities and stockholders’ equity</b>	<b>\$ 7,112</b>	<b>\$ 8,349</b>	<b>\$ 15,461</b>

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#### 4. Debt

Our debt is comprised of the following (in thousands):

	March 28, 2004	December 28, 2003
Revolving line of credit	\$ 67,500	\$ 61,000
Debt associated with VIEs *	4,077	—
Other	—	250

Total debt	71,577	61,250
Less: current portion of debt	(4,077)	(250)
Long-term debt	\$ 67,500	\$ 61,000

\*The VIEs' third-party creditors do not have any recourse to Papa John's.

## 5. Calculation of Earnings Per Share

The calculations of basic earnings per common share and earnings per common share – assuming dilution are as follows (in thousands, except per share data):

	Three Months Ended	
	March 28, 2004	March 30, 2003
Basic earnings per common share:		
Net income	\$ 8,486	\$ 10,985
Weighted average shares outstanding	17,833	17,919
Basic earnings per common share	\$ 0.48	\$ 0.61
Earnings per common share - assuming dilution:		
Net income	\$ 8,486	\$ 10,985
Weighted average shares outstanding	17,833	17,919
Dilutive effect of outstanding common stock options	316	104
Diluted weighted average shares outstanding	18,149	18,023
Earnings per common share - assuming dilution	\$ 0.47	\$ 0.61

## 6. Stock-Based Compensation

Effective at the beginning of fiscal 2002, we elected to expense the cost of employee stock options in accordance with the fair value method contained in SFAS No. 123, *Accounting and Disclosure of Stock-Based Compensation*. Under SFAS No. 123, the fair value for options is estimated at the date of grant using a Black-Scholes option pricing model which requires the input of highly subjective assumptions including the expected stock price volatility. The election was effective as of the beginning of fiscal 2002 and applies to all stock options issued after the effective date. Prior to 2002, we followed Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations, in accounting for our employee stock options. Under APB No. 25, no compensation expense is recognized provided the exercise price of employee stock options equals or exceeds the market price of the underlying stock on the date of grant.

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The following table illustrates the effect on income and earnings per share if the fair value based method had been applied to all outstanding and unvested awards in each period:

(In thousands, except per share data)	Three Months Ended	
	March 28, 2004	March 30, 2003
Net income (as reported)	\$ 8,486	\$ 10,985
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	350	13
Deduct: Stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(353)	(115)
Pro forma net income	\$ 8,483	\$ 10,883
Earnings per share:		
Basic - as reported	\$ 0.48	\$ 0.61
Basic - pro forma	\$ 0.48	\$ 0.61
Assuming dilution - as reported	\$ 0.47	\$ 0.61
Assuming dilution - pro forma	\$ 0.47	\$ 0.60

## 7. Segment Information

We have defined five reportable segments: domestic restaurants, domestic commissaries, domestic franchising, international operations and variable interest entities (VIEs).

The domestic restaurant segment consists of the operations of all domestic ("domestic" is defined as contiguous United States) Company-owned restaurants and derives its revenues principally from retail sales of pizza and side items, such as breadsticks, cheesesticks, chicken strips and soft drinks to the general public. The domestic commissary segment consists of the operations of our regional dough production and product distribution centers and derives its revenues principally from the sale and distribution of food and paper products to domestic Company-owned and franchised restaurants. The domestic franchising segment consists of our franchise sales and support activities and derives its revenues from sales of franchise and development rights and collection of royalties from our domestic franchisees. The international operations segment principally consists of our Company-owned restaurants and commissary operation located in the United Kingdom and our franchise sales and support activities, which derive revenues from sales of franchise and development rights and the collection of royalties from our international franchisees. VIEs consist of entities in which we are the primary beneficiary, as defined in Note 3, and include BIBP and certain franchisees to which we have extended loans. All other business units that do not meet the quantitative thresholds for determining reportable segments consist of operations that derive revenues from the sale, principally to Company-owned and franchised restaurants, of printing and promotional items, risk management services, and information systems and related services used in restaurant operations.

Generally, we evaluate performance and allocate resources based on profit or loss from operations before income taxes and eliminations. Certain administrative and capital costs are allocated to segments based upon predetermined rates or actual estimated resource usage. We account for intercompany sales and transfers as if the sales or transfers were to third parties and eliminate the related profit in consolidation.

Our reportable segments are business units that provide different products or services. Separate management of each segment is required because each business unit is subject to different operational issues and strategies. No single external customer accounted for 10% or more of our consolidated revenues.

Our segment information is as follows:

(In thousands)	Three Months Ended	
	March 28, 2004	March 30, 2003
<b>Revenues from external customers:</b>		
Domestic restaurants	\$ 106,173	\$ 106,242
Domestic commissaries	94,536	93,868
Domestic franchising	13,445	12,848
International	8,031	7,767
All others	14,724	11,557
<b>Total revenues from external customers</b>	<b>\$ 236,909</b>	<b>\$ 232,282</b>
<b>Intersegment revenues:</b>		
Domestic commissaries	\$ 29,133	\$ 29,475
Domestic franchising	194	179
International	66	1,037
Variable interest entities (1)	32,947	—
All others	3,348	3,161
<b>Total intersegment revenues</b>	<b>\$ 65,688</b>	<b>\$ 33,852</b>
<b>Income (loss) before income taxes:</b>		
Domestic restaurants	\$ 1,935	\$ 891
Domestic commissaries (2)	5,545	5,635
Domestic franchising	11,837	12,218
International	216	(336)
Variable interest entities (1)	(1,645)	—
All others	607	843
Unallocated corporate expenses (3)	(4,907)	(1,602)
Elimination of intersegment (profits) losses	(10)	(72)
<b>Total income before income taxes</b>	<b>\$ 13,578</b>	<b>\$ 17,577</b>
<b>Property and equipment:</b>		
Domestic restaurants	\$ 154,714	
Domestic commissaries	69,499	
International	2,699	
Variable interest entities (4)	7,286	
All others	12,056	
Unallocated corporate assets	115,596	
Accumulated depreciation and amortization	(157,113)	
<b>Net property and equipment</b>	<b>\$ 204,737</b>	

- (1) The \$32.9 million in sales and the \$1.6 million loss are attributable to BIBP. As noted in Note 3, in the second quarter of 2004, we began consolidating the revenues and income (loss) before income taxes from the four franchise entities, to which we have extended loans, that qualify as VIEs.
- (2) The results for the domestic commissaries segment are impacted by a reduction in the corporate expense allocations approximating \$650,000 in the 2004 quarter as compared to the 2003 quarter.
- (3) The increase in unallocated corporate expenses from 2003 is primarily due to an increase in certain general and administrative expenses approximating \$2.0 million, the above-noted reduction in the corporate allocations to domestic commissaries approximating \$650,000 and an increase in the provision for uncollectible accounts of \$453,000.
- (4) Represents assets of VIE franchisees to which we have extended loans.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Results of Operations and Critical Accounting Policies and Estimates

The results of operations are based on the preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States. The preparation of consolidated financial statements requires management to select accounting policies for critical accounting areas as well as estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant changes in assumptions and/or conditions in our critical accounting policies could materially impact the operating results. We have identified the following accounting policies and related judgments as critical to understanding the results of our operations.

#### *Allowance for Doubtful Accounts and Notes Receivable*

We establish reserves for uncollectible accounts and notes receivable based on overall receivable aging levels and a specific evaluation of accounts and notes for franchisees with known financial difficulties. These reserves and corresponding write-offs could significantly increase if the identified franchisees continue to experience deteriorating financial results.

#### *Long-Lived and Intangible Assets*

The recoverability of long-lived and intangible (i.e., goodwill) assets is evaluated annually or more frequently if impairment indicators exist. Indicators of impairment include historical financial performance, operating trends and our future operating plans. If impairment indicators exist, we evaluate the recoverability of long-lived and intangible

assets based on forecasted undiscounted cash flows. The estimation of future cash flows requires management's judgment concerning future operations, economic growth in local or regional markets and the impact of competition. There are inherent uncertainties related to these factors and management's judgments in applying these factors to the analysis of long-lived and intangible asset impairment. It is possible that the assumptions underlying the impairment analysis will change in such a manner that additional impairment charges may occur.

#### Insurance Reserves

Our insurance programs for workers' compensation, general liability, owned and non-owned automobiles and health insurance coverage provided to our employees, and the captive insurance program provided to our franchisees are self-insured up to certain individual and aggregate reinsurance levels. Losses are accrued based upon estimates of the aggregate retained liability for claims incurred using certain actuarial projections and our claims loss experience. The estimated insurance claims losses could be significantly affected should the frequency or ultimate cost of claims significantly differ from historical trends used to estimate the insurance reserves recorded by the Company.

#### Consolidation of BIBP Commodities, Inc. ("BIBP") as a Variable Interest Entity

BIBP is a franchisee-owned corporation that conducts a cheese-purchasing program on behalf of domestic Company-owned and franchised restaurants. As required by the Financial Accounting Standards Board's ("FASB") Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51 (FIN 46)*, we began consolidating the balance sheet of BIBP at the end of the fourth quarter of 2003. We recognized a pre-tax loss of \$1.6 million in the first quarter of 2004 from the consolidation of BIBP. The consolidation of BIBP could have a significant impact on Papa John's operating income in future periods due to the volatility of cheese prices. Papa John's will recognize the operating losses generated by BIBP if the shareholders' equity is in a net deficit position. Further, Papa John's will recognize subsequent operating income generated by BIBP up to the amount of BIBP losses previously recognized.

The spot block market cheese price increased from \$1.34 per pound at the beginning of 2004 to \$1.95 per pound as of March 28, 2004. Based on the Chicago Mercantile Exchange milk futures market prices as of April 30, 2004, and the actual second quarter and projected third and fourth quarter 2004 and first quarter 2005 cheese costs to restaurants as determined by the BIBP pricing formula, the consolidation of BIBP is projected to impact our operating income as follows (in thousands):

	<u>Increase / (decrease)</u>
Quarter 2 - 2004	\$ (18,000)
Quarter 3 - 2004	(3,000)
Quarter 4 - 2004	4,000
Quarter 1 - 2005	5,000
	<u>\$ (12,000)</u>

#### Restaurant Progression:

	<u>Three Months Ended</u>	
	<u>March 28, 2004</u>	<u>March 30, 2003</u>
<b>Papa John's Restaurant Progression:</b>		
U.S. Company-owned:		
Beginning of period	568	585
Opened	2	3
Closed	(2)	(3)
End of period	<u>568</u>	<u>585</u>
International Company-owned:		
Beginning of period	2	9
Sold to franchisees	—	(2)
End of period	<u>2</u>	<u>7</u>
U.S. franchised:		
Beginning of period	2,006	2,000
Opened	20	15
Closed	(9)	(9)
End of period	<u>2,017</u>	<u>2,006</u>
International franchised:		
Beginning of period	214	198
Opened	12	8
Closed	(4)	(6)
Acquired from Company	—	2
End of period	<u>222</u>	<u>202</u>
Total restaurants — end of period	<u>2,809</u>	<u>2,800</u>
<b>Perfect Pizza Restaurant Progression:</b>		
Franchised:		
Beginning of period	135	144
Closed	(8)	(2)
Total restaurants - end of period	<u>127</u>	<u>142</u>



As required by FIN 46, we began consolidating the operating results of BIBP in the first quarter of 2004. The consolidation of BIBP impacted our operating results and income statement presentation as described below.

Consolidation accounting requires the net impact from the consolidation of BIBP to be reflected in two separate components of our statement of income. The first component is the portion of BIBP operating income or loss attributable to the amount of cheese purchased by Company-owned restaurants during the period. This portion of BIBP operating income (loss) is reflected as a reduction (increase) in the "Domestic restaurant expenses - cost of sales" line item. This approach effectively reports cost of sales for Company-owned restaurants as if the purchasing arrangement with BIBP did not exist and such restaurants were purchasing cheese at the spot market prices (i.e., the impact of BIBP is eliminated in consolidation).

The remainder of the net impact from the consolidation of BIBP is reflected in the caption "Loss (income) from the franchise cheese purchasing program, net of minority interests". This line item represents BIBP's income or loss from purchasing cheese at the spot market price and selling to franchised restaurants at a fixed quarterly price, net of any income or loss attributable to the minority interest BIBP shareholders. The amount of income or loss attributable to the BIBP shareholders depends on its cumulative shareholders' equity balance and the change in such balance during the reporting period.

*Revenues.* Total revenues were \$236.9 million for the first quarter of 2004, representing an increase of 2.0%, from \$232.3 million for the same period in 2003.

Domestic corporate restaurant sales were \$106.2 million for the first quarter of 2004, which is essentially flat as compared to sales for the same period in 2003. The 1.3% increase in comparable sales in the first quarter of 2004 was offset by a 2.4% decrease in equivalent units, as we closed 22 under performing restaurants in the fourth quarter of 2003. "Equivalent restaurants" represents the number of restaurants open at the beginning of a given period, adjusted for restaurants opened, closed, acquired or sold during the period on a weighted average basis.

Domestic franchise sales increased 1.6% to \$335.0 million from \$329.6 million for the same period in 2003 primarily resulting from a 0.7% increase in the number of equivalent franchise units and an increase in average sales volumes for franchise units not included in the comparable sales unit base. Domestic franchise royalties were \$12.9 million in the first quarter of 2004, a 3.1% increase from \$12.5 million for the comparable period in 2003, primarily due to the previously mentioned increase in franchised sales and a slight improvement in the net recognized royalty rate.

The comparable sales base and average weekly sales for 2004 and 2003 for domestic Company-owned and domestic franchised restaurants consisted of the following:

	Three Months Ended			
	March 28, 2004		March 30, 2003	
	Company	Franchise	Company	Franchise
Total domestic units (end of period)	568	2,017	585	2,006
Equivalent units	563	1,995	577	1,982
Comparable sales base units	547	1,926	563	1,896
Comparable sales base percentage	97.1%	96.5%	97.6%	95.7%
Average weekly sales - comparable units	\$ 14,625	\$ 12,968	\$ 14,247	\$ 12,862
Average weekly sales - other units	\$ 10,365	\$ 11,499	\$ 10,734	\$ 11,270
Average weekly sales - all units	\$ 14,503	\$ 12,917	\$ 14,161	\$ 12,793

Domestic franchise and development fees were \$534,000 in the quarter, including approximately \$134,000 recognized upon development cancellation or franchise renewal and transfer, compared to \$331,000 for the same period in 2003. There were 20 domestic franchise restaurant openings in 2004 compared to 15 in 2003.

Domestic commissary sales increased slightly to \$94.5 million for the first quarter of 2004 from \$93.9 million for the comparable period in 2003, as the impact of cheese price increases was substantially offset by lower volumes. Other sales increased to \$14.7 million for the first quarter of 2004 from \$11.6 million for the comparable period in 2003, primarily as a result of promotional items sold associated with our March 2004 NCAA national promotion and an increase in revenues associated with insurance-related services to franchisees.

International revenues consist of the Papa John's United Kingdom (U.K.) operations, denominated in British Pounds Sterling and converted to U.S. dollars (90.7% of international revenues) and combined revenues from operations in 16 other international markets denominated in U.S. dollars. Total international revenues were \$8.0 million compared to \$7.8 million for the same period in 2003, as revenues from increased unit openings and the impact of a more favorable dollar/pound exchange rate more than offset a decrease in restaurant revenues due to fewer Company-owned restaurants during the first quarter of 2004 (two) as compared to an average of eight restaurants for the comparable period in 2003.

*Costs and Expenses.* The restaurant operating margin at domestic Company-owned units was 16.3% in the first quarter of 2004 compared to 17.7% for the same period in 2003, consisting of the following differences:

- Cost of sales was 2.2% higher in 2004, due to higher cheese costs and the impact of portion increases for several core pizza products implemented during the second quarter of 2003. The consolidation of BIBP increased the cost of sales 1.2%.
- Salaries and benefits were 0.6% lower in 2004 due to staffing efficiencies.
- Advertising and related costs were 0.3% lower reflecting reduced local market co-op spending.
- Occupancy costs were 0.3% higher in 2004 due primarily to increased utility costs and general insurance costs.
- Other operating expenses were 0.2% lower in 2004 primarily from a decrease in mileage reimbursement and lower repairs and maintenance costs.

The company has announced several restaurant initiatives during the past two years, including an increase in General Manager and Assistant Manager salaries and portion increases at its corporate restaurants for several of its core pizza products. We have experienced improved operational trends as a result of these initiatives, including reduced turnover at the General Manager and Assistant Manager positions, and improved product and service quality and consistency. However, the improvements have not yet translated to the increased sales we had anticipated, as the overall restaurant industry, pizza category and economy continue to produce a very challenging environment. According to industry sources, customer traffic count has declined or remained flat in the Quick Service Restaurant pizza segment for the latest eight reported consecutive quarters. Given the current industry and overall economic environment, management cannot predict when operational improvements resulting from these initiatives, or otherwise, may result in improving sales trends.

We have also previously announced initiatives to identify opportunities for improving restaurant operating margin. During the first quarter of 2004, we have focused our initiative program on procurement and administrative costs. We believe the projected savings in 2004 from these initiatives will substantially offset the increases in cheese (exclusive of the impact of consolidating BIBP) and other commodities that have or are projected to occur for our corporate restaurants.

Domestic commissary and other margin was 8.3% in the first quarter of 2004 compared to 10.2% for the same period in 2003. Cost of sales was 72.1% of revenues in 2004 compared to 70.5% in 2003 primarily due to higher food costs incurred by the commissaries (such as cheese, which has a fixed dollar as opposed to fixed percentage mark-up), and an increase in the sales of the above-noted March 2004 promotional items, which had a relatively low margin. Salaries and benefits were 0.4% lower as a percentage of sales for 2004 as compared to 2003 due to cost reduction efforts. Other operating expenses increased to 13.0% in 2004 from 12.4% in 2003, primarily as a result of increased costs associated with insurance-related services to franchisees.

The loss from the franchise cheese purchasing program, net of minority interests, was \$372,000 during the first quarter 2004. This represents the portion of the total \$5.3 million BIBP operating loss related to the proportion of BIBP cheese sales to franchisees (77%) or \$4.1 million, less the \$3.7 million attributable to the minority interest shareholders of BIBP, representing the amount of operating loss absorbed by the equity surplus during the period.

International operating margin increased to 17.0% in 2004 from 13.8% in 2003 primarily due to the disposition of Company-owned restaurants, which had a lower margin than our commissary operation.

General and administrative expenses were \$18.5 million or 7.8% of revenues in the first quarter of 2004 compared to \$16.6 million or 7.1% of revenues in the same period in 2003. The increase in 2004 as compared to 2003 is primarily attributable to a \$575,000 increase in bonuses paid to corporate and restaurant management, a \$540,000 increase in compensation expense related to stock options awarded in late 2003 that vest over a 12-month period throughout 2004 and \$400,000 of consulting fees associated with our recent initiatives to identify opportunities for improving restaurant operating margins. Additionally, general and administrative salaries and benefits increased approximately \$650,000, as certain positions in the franchise sales and marketing areas were filled throughout 2003 and severance was recognized in the first quarter of 2004 related to the elimination of certain positions, the savings from which will be realized in subsequent quarters.

A provision for uncollectible notes receivable of \$232,000 was recorded in the first quarter of 2004 as compared to \$426,000 for the same period in 2003. The provision was based on our evaluation of our franchise loan portfolio, and primarily relates to specific loans for which certain scheduled payments have been deferred as part of an overall workout arrangement.

Restaurant closure, impairment and disposition losses of \$139,000 and \$75,000 were recorded in the first quarter of 2004 and 2003, respectively, related to under-performing restaurants that are subject to impairment or identified for closure as required by Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Other general expenses were \$953,000 in the first quarter of 2004 compared to \$491,000 for the comparable period in 2003. The 2004 amount includes \$34,000 of pre-opening costs, \$54,000 of relocation costs, \$288,000 of disposition and valuation related costs of other assets and a \$453,000 provision for uncollectible accounts receivable. This provision for uncollectible accounts receivable relates primarily to two specific franchisees (representing 52 restaurants). The 2003 amount includes \$68,000 of pre-opening costs, \$50,000 of relocation costs and \$236,000 related to disposition or valuation losses for other assets.

Depreciation and amortization was \$7.6 million (3.2% of revenues) for the first quarter of 2004 as compared to \$7.9 million (3.4% of revenues) for the same period in 2003.

*Net interest.* Net interest expense was \$1.3 million in the first quarter of 2004 as compared to \$1.7 million in 2003, due to the lower outstanding debt balance and lower effective interest rate on our debt.

*Income Tax Expense.* The effective income tax rate was 37.5% in both 2004 and 2003.

*Operating Income and Earnings Per Common Share.* Operating income for the three months ended March 28, 2004 was \$14.8 million or 6.3% of revenues, compared to \$19.2 million or 8.3% of revenues for the comparable period in 2003. The decrease in operating income is primarily due to the increase in general and administrative expenses discussed above and the impact of consolidating BIBP, which reduced pre-tax income approximately \$1.6 million in the first quarter of 2004.

Diluted earnings per share were \$0.47 in 2004 compared to \$0.61 in 2003. In 2004, earnings per share were reduced by approximately \$0.05 due to the consolidation of the results of BIBP. The repurchase of our common shares in 2004 and 2003 resulted in an increase in diluted earnings per share of approximately \$0.01 in 2004 as compared to 2003.

## New Marketing Program

The company recently announced the launch of a new "Pizza and Entertainment" promotion and advertising campaign signaling a change in marketing direction and strategy. The foundation of this plan features a commitment to new product news, taking advantage of Papa John's positive experience with new product introductions in the past two years.

Papa John's will supplement this product development effort with entertainment premiums intended to give customers even more value for their money. The initial promotion that began May 3 offers customers one of three DVD movies with the purchase of a large The Works or any other large pizza at regular menu price. The titles for this first offering are "Weekend at Bernie's," "Don Juan Demarco" and "Trial and Error." Future titles will be made available along with Papa John's product offerings.

Additionally, the domestic system recently authorized an increase in the contribution level to the national Marketing Fund as a percentage of restaurant sales, effective beginning with contributions based on June sales. The company expects that the majority of the incremental funds generated by this increase in contribution percentage will be utilized to increase the level of national television advertising conducted during the last half of the year in support of the new marketing program.

## Liquidity and Capital Resources

Our debt is comprised of the following:

	<u>March 28, 2004</u>	<u>December 28, 2003</u>
Revolving line of credit	\$ 67,500	\$ 61,000
Debt associated with VIEs *	4,077	—
Other	—	250
Total debt	<u>71,577</u>	<u>61,250</u>

Less: current portion of debt	(4,077)	(250)
Long-term debt	<u>\$ 67,500</u>	<u>\$ 61,000</u>

\*The VIEs' third-party creditors do not have any recourse to Papa John's.

The revolving line of credit allows us to borrow up to \$175.0 million with an expiration date of January 2006. Outstanding balances accrue interest at 62.5 to 100.0 basis points over the London Interbank Offered Rate (LIBOR) or other bank developed rates at our option. The commitment fee on the unused balance ranges from 15.0 to 20.0 basis points. The increment over LIBOR and the commitment fee are determined quarterly based upon the ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization (EBITDA).

Cash flow from operations decreased to \$11.1 million for the three months ended March 28, 2004, from \$25.9 million for the comparable period in 2003, reflecting lower net income in 2004 and unfavorable changes in accounts receivable, other assets and accounts payable totaling \$11.8 million in 2004.

We require capital primarily for the development, acquisition, renovation and maintenance of restaurants, the development, renovation and maintenance of quality control centers and support services facilities and equipment and the enhancement of corporate systems and facilities. Additionally, we began a common stock repurchase program in December 1999. During the three months ended March 28, 2004, common stock repurchases of \$24.6 million and capital expenditures of \$4.4 million were funded primarily by cash flow from operations, stock option exercises, net proceeds from debt arrangements, net loan repayments from franchisees and affiliates and available cash and cash equivalents.

Our Board of Directors has authorized the repurchase of up to \$400.0 million of our common stock through December 26, 2004. Through March 28, 2004, an aggregate of \$376.2 million has been repurchased (representing 14.3 million shares, or approximately 46.9% of shares outstanding at the time the repurchase program was initiated, at an average price of \$26.32 per share). Approximately 17.7 million shares were outstanding as of March 28, 2004 (approximately 18.1 million shares on a fully-diluted basis). Subsequent to March 28, 2004, through April 30, 2004, we repurchased an additional 131,000 shares at an aggregate cost of \$4.4 million (an average price of \$33.32 per share).

Capital resources available at March 28, 2004, include \$9.0 million of cash and cash equivalents and approximately \$84.9 million remaining borrowing capacity, reduced for outstanding letters of credit of \$22.6 million, under a \$175.0 million, three-year, unsecured revolving line of credit agreement expiring in January 2006. We expect to fund planned capital expenditures and additional discretionary repurchases of our common stock, if any, for the remainder of 2004 from these resources and operating cash flows.

### Forward Looking Statements

Certain information contained in this quarterly report, particularly information regarding future financial performance and plans and objectives of management, is forward-looking. Certain factors could cause actual results to differ materially from those expressed in forward-looking statements. These factors include, but are not limited to the uncertainties associated with litigation; increases in projected claims losses for the Company's self-insured coverage or within the captive franchise insurance program; increases in advertising promotions and discounting by competitors which may adversely affect sales; new product and concept developments by food industry competitors; the ability of the Company and its franchisees to open new restaurants and operate new and existing restaurants profitably; increases in food, labor, utilities, fuel, employee benefits, insurance and similar costs; the ability to obtain ingredients from alternative suppliers if needed; health- or disease-related disruptions or consumer concerns about the commodity supply; economic and political and health conditions in the countries in which the Company or its franchisees operate; the selection and availability of suitable restaurant locations; negotiation of suitable lease or financing terms; constraints on permitting and construction of restaurants; higher than

anticipated construction costs; the hiring, training and retention of management and other personnel; changes in consumer taste, demographic trends, traffic patterns and the type, number and location of competing restaurants; federal and state laws governing such matters as wages, working conditions, citizenship requirements and overtime; and labor shortages in various markets resulting in higher required wage rates. These factors might be especially harmful to the financial viability of franchises in under-penetrated or emerging markets, leading to greater unit closings than anticipated. Our international operations are subject to additional factors, including currency regulations and fluctuations; differing cultures and consumer preferences; diverse government regulations and structures; ability to source high quality ingredients and other commodities in a cost-effective manner; differing interpretation of the obligations established in franchise agreements with international franchisees; and the successful conversion of Perfect Pizza restaurants to Papa John's restaurants. See "Part I, Item 1. – Business Section – Forward-Looking Statements" of the Annual Report on Form 10-K for the fiscal year ended December 28, 2003 for additional factors.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our debt at March 28, 2004 is principally comprised of a \$67.5 million outstanding principal balance on the \$175.0 million unsecured revolving line of credit. The interest rate on the revolving line of credit is variable and is based on LIBOR plus a 62.5 to 100.0 basis point spread, tiered based upon debt and cash flow levels. In November 2001, we entered into an interest rate swap agreement that provides for a fixed rate of 5.31%, as compared to LIBOR, on \$100.0 million of floating rate debt from March 2003 to March 2004, reducing to a notional value of \$80.0 million from March 2004 to March 2005, and reducing to a notional value of \$60.0 million in March 2005 with an expiration date of March 2006.

The effective interest rate on the line of credit, including the impact of the interest rate swap agreement, was 5.9% as of March 28, 2004. An increase in the present interest rate of 100 basis points on the debt balance outstanding as of March 28, 2004, as mitigated by the interest rate swap, would have no impact on interest expense since the debt balance is less than \$80.0 million.

Substantially all of our business is transacted in U.S. dollars. Accordingly, foreign exchange rate fluctuations do not have a significant impact on our operating results.

Cheese costs, historically representing 35% to 40% of our total food cost, are subject to seasonal fluctuations, weather, availability, demand and other factors that are beyond our control. As previously discussed in Results of Operations and Critical Accounting Policies and Estimates, we have a purchasing arrangement with a third-party entity, BIBP, formed at the direction of our Franchise Advisory Council for the sole purpose of reducing cheese price volatility to domestic system-wide restaurants. Under this arrangement, domestic Company-owned and franchised restaurants are able to purchase cheese at a fixed price per pound throughout a given quarter, based in part on historical average cheese prices. Gains and losses incurred by BIBP are used as a factor in determining adjustments to the selling price to restaurants over time. As a result, for any given quarter, the price paid by the domestic Company-owned and franchised restaurants may be less than or greater than the prevailing average market price.

As a result of the adoption of FIN 46, Papa John's began consolidating the operating results of BIBP in 2004. Consolidation accounting requires the portion of BIBP operating income (loss) related to domestic Company-owned restaurants to be reflected as a reduction (increase) in the "Domestic restaurant expenses – cost of sales" line item, thus reflecting the actual market price of cheese had the purchasing arrangement not existed. Papa John's quarterly operating results could be subject to significant fluctuations depending on the prevailing spot block market price of cheese as compared to the price charged to domestic restaurants. Over time, we expect BIBP to achieve break-even financial results.

The following table presents the actual average block market price for cheese and the BIBP block price by quarter for 2003 and as projected through the end of 2004 (based on the April 30, 2004 Chicago Mercantile Exchange (CME) milk futures market prices):

	2004		2003	
	BIBP Block Price	Actual Block Price	BIBP Block Price	Actual Block Price
Quarter 1	\$ 1.220	\$ 1.426	\$ 1.159	\$ 1.115
Quarter 2	1.326	2.001*	1.122	1.134
Quarter 3	1.550*	1.657*	1.242	1.536
Quarter 4	1.581*	1.455*	1.217	1.474
Full Year	\$ 1.419*	\$ 1.635*	\$ 1.185	\$ 1.315

\*amounts are estimates.

Based on the above-noted CME milk futures market prices and the actual second quarter and projected third and fourth quarter 2004 and first quarter 2005 cheese costs to restaurants as determined by the BIBP pricing formula, the consolidation of BIBP is projected to impact our operating income as follows (in thousands):

	Increase / (decrease)
Quarter 2 - 2004	\$ (18,000)
Quarter 3 - 2004	(3,000)
Quarter 4 - 2004	4,000
Quarter 1 - 2005	5,000
	\$ (12,000)

Over the long-term, we expect to purchase cheese at a price approximating the actual average market price and therefore we do not generally make use of financial instruments to hedge commodity prices.

#### Item 4. Controls and Procedures

Our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon their evaluation, the CEO and CFO concluded that the disclosure controls and procedures are effective in ensuring all required information relating to the Company is included in this quarterly report.

We also maintain a system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f)) designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. During our most recent fiscal quarter, there have been no changes in our internal control over financial reporting that occurred that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II. OTHER INFORMATION

#### Item 1. Legal Proceedings

We are subject to claims and legal actions in the ordinary course of our business. We believe that all such claims and actions currently pending against us are either adequately covered by insurance or would not have a material adverse effect on us if decided in a manner unfavorable to us.

#### Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

The Papa John's Board of Directors has authorized the repurchase of up to \$400.0 million of common stock under a share repurchase program that began December 9, 1999, and runs through December 26, 2004. Through March 28, 2004, a total of 14.3 million shares with an aggregate cost of \$376.2 million and an average price of \$26.32 per share have been repurchased under this program and placed in treasury. The following table summarizes our repurchases by fiscal period during the first quarter of 2004 (in thousands, except per share amounts):

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
12/29/2003 - 01/25/2004	257	\$ 32.26	13,824	\$ 40,073
01/26/2004 - 02/22/2004	377	\$ 34.28	14,201	\$ 27,160
02/23/2004 - 03/28/2004	94	\$ 35.43	14,295	\$ 23,813

#### Item 6. Exhibits and Reports on Form 8-K.

##### a. Exhibits

Exhibit Number	Description
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- 31.2 Section 302 Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a -15(e)
- 32.1 Section 906 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Section 906 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.1 Cautionary Statements. Exhibit 99.1 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2003 (Commission File No. 0-21660) is incorporated herein by reference.

b. Current Reports on Form 8-K filed in the first quarter of 2004:

- 1. We filed a Current Report on Form 8-K on January 22, 2004, attaching a press release dated January 21, 2004, announcing changes in the roles of two of our executive officers and the appointment of a Chief Financial Officer. The new structure reflects the departure of Chief Operating Officer and PJ Food Service President, Robert Wadell.
- 2. We filed a Current Report on Form 8-K on February 20, 2004, attaching a press release dated February 19, 2004, announcing that our Board of Directors approved an increase to \$400 million in the amount of our common stock that may be repurchased from time to time through December 26, 2004.
- 3. We filed a Current Report on Form 8-K on February 25, 2004, attaching a press release dated February 24, 2004, announcing our fourth quarter and full-year 2003 financial results.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**PAPA JOHN'S INTERNATIONAL, INC.**  
(Registrant)

Date: May 5, 2004

/s/ J. David Flanery  
J. David Flanery  
Senior Vice President and  
Chief Financial Officer

**SECTION 302  
CERTIFICATION**

I, John H. Schnatter, Chairman, Chief Executive Officer and President, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Papa John's International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 5, 2004

/s/ John H. Schnatter  
\_\_\_\_\_  
John H. Schnatter  
Chairman, Chief Executive Officer  
and President

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**SECTION 302  
CERTIFICATION**

I, J. David Flanery, Senior Vice President and Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Papa John's International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 5, 2004

/s/ J. David Flanery \_\_\_\_\_  
J. David Flanery  
Senior Vice President and Chief  
Financial Officer

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**SECTION 906  
CERTIFICATION**

I, John H. Schnatter, Chairman, Chief Executive Officer and President of Papa John's International, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Report on Form 10-Q of the Company for the quarterly period ended March 28, 2004 (the "Report") fully complies with the requirements of Section 13 (a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2004

/s/ John H. Schnatter  
John H. Schnatter  
Chairman, Chief Executive Officer  
and President

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**SECTION 906  
CERTIFICATION**

I, J. David Flanery, Senior Vice President and Chief Financial Officer of Papa John's International, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Report on Form 10-Q of the Company for the quarterly period ended March 28, 2004 (the "Report") fully complies with the requirements of Section 13 (a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2004

/s/ J. David Flanery

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J. David Flanery  
Senior Vice President and Chief  
Financial Officer

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