Overview of North America Commissary Segment

The purpose of this document is to help investors and analysts better understand our North America Commissary segment and the changes to margins and incentive-based rebates that will be implemented over the next four years.

Background

Our North America Commissary (NA Commissary) segment in place today was developed more than 25 years ago to support early U.S. brand expansion into newly penetrated markets. Our NA Commissary is a vertically integrated manufacturer of dough and a distributor of all core ingredients and supplies. NA Commissary is our largest source of total revenue and a source of profit for Papa Johns. However, at a 4% operating margin, it is a lower margin than Papa Johns' other business segments.

Today, the NA Commissary segment comprises 11 full-service regional dough production and distribution Quality Control Centers ("QCCs") in the U.S., which supply pizza sauce, dough, food products, paper products, smallwares, and cleaning supplies twice weekly to each restaurant served. This system enables us to monitor and control product quality and consistency while lowering food and other costs. We also have one QCC in Canada, which produces and distributes fresh dough to our Toronto and surrounding area franchised restaurants. We also export certain products to multiple markets where sourcing is limited due to scale or lack of supply close to our restaurants. We evaluate the QCC system capacity in relation to existing restaurants' volumes and planned restaurant growth, and facilities are developed or upgraded as operational or economic conditions warrant. To ensure consistent food quality, each domestic franchisee is required to purchase dough and pizza sauce from our QCCs and to purchase all other supplies from our QCCs or other approved suppliers.

As the NA Commissary segment continues to scale, Papa Johns will continue to evolve its approach to increase investment in our supply chain infrastructure. These efforts will ensure that Papa Johns will continue to deliver high-quality ingredients to our restaurants and support our system growth as well as incentivize our franchisees to grow.

Third-Party Review of QSR Supply Chain Structure

Recently, we conducted a third-party review of our U.S. supply chain structure as well as a review of food manufacturing and warehousing industry benchmark structures and profit standards. We determined that our current model operates well below industry and QSR peer supply chain margin rates. Our current model operates on a fixed operating margin of 4%.

Analysis indicated that changes to the U.S. model can structurally improve Papa Johns' long-term profit profile. By transitioning to an incentive model with variable supply chain rates, Papa Johns can drive an increase in both volume and unit growth in our North America system.

As a result of the study, Papa Johns will roll out incremental operating margin changes combined with new incentive-based rebates to the U.S. supply chain model beginning January 1, 2024, to drive the following:

- Market share growth in the U.S. through transactions and unit development;
- Investment in supply chain innovation & assets to stay competitive; and
- Operational efficiencies and lower costs to improve unit profitability.

These changes will allow Papa Johns to realize more supply chain fixed cost leverage, favorable supplier costs, and productivity for the benefit of the entire system.

Impact to Franchisees

Beginning in 2024, we will increase the fixed operating margin that our U.S. commissaries charge by 100 basis points in each of the next four years, moving from 4% today to 8% in 2027.

At the same time, we are offering new opportunities for our franchisees to earn annual incentive-based rebates as they increase volume and open new restaurants, which will drive even more continued productivity for our system. The incentive-based rebates will provide the opportunity for our franchisees to earn a reduced effective supply chain rate as they continue to grow on an annual basis.

The recent changes apply to all franchisees who buy from our U.S. QCCs and provide substantial incentives to franchisee entities that are growing their businesses through increasing transactions. The new model will be rolled out incrementally over the next four years through 2027. At the end of 2027, rates are projected to be at the low end of QSR peer benchmarks.

Franchisees who are increasing case-volume purchases from the QCC at the highest volume growth could realize target market rates *lower* than the current 4% rate in place today. Franchisees that are *not* growing case-volume purchases annually will pay the full target operating margin rate.

Changes to Margin Structure

Metric	Old	New
Target Operating Margin Rate	Fixed 4% pre-tax operating margin	8% pre-tax operating margin • *Incremental 1% increase per year to begin in 2024 and continue until reaching 8% in 2027.*
Incentive Rebate	None	Case-volume rebates for franchisee entities • *Every 2.0% year over year increase in case volume lowers the pre-tax operating margin (See "Volume Rebate Matrix" below)* • *Case volume growth at or above 8% year over year results in a pre-tax margin of 3.75%, which is <u>below</u> the previous 4% pre-tax operating margin* • *New store development by existing franchisees likely the biggest driver of incentive-based rebates*

SUPPLY CHAIN MARGIN – VOLUME REBATE MATRIX

SC Case Volume	Current	2024	2025	2026	2027 -
<1.99%	4.00%	5.00%	6.00%	7.00%	8.00%
2.0% - 3.99%	4.00%	4.85%	5.74%	6.62%	7.50%
4.0% - 5.99%	4.00%	4.71%	5.47%	6.24%	7.00%
6.0% - 7.99%	4.00%	4.12%	4.41%	4.71%	5.00%
>= 8.0%	4.00%	3.75%	3.75%	3.75%	3.75%

Applying the New Model:

- National fixed pricing remains unchanged throughout the year.
- The franchisee growth band is determined at the end of every year based on total case purchases of all stores owned by the franchise entity vs. prior year inclusive of new and closed stores.
- Case volume growth and incentive rebates will be based on the franchise entity's total annual sales dollars purchased from our US Commissaries.
- Store transfers between franchisees will be adjusted for both the buyer and seller and historical case volumes will move with the acquired stores.

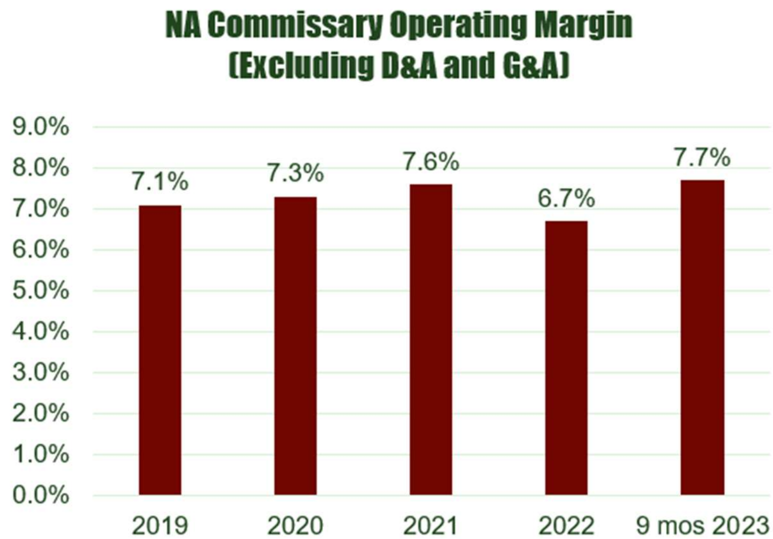
Before any incentive rebates are applied at the end of every year, the impact on a franchisee P&L is estimated to be approximately 25 basis points in incremental food costs, annually, on a gross basis for each of the next four years, or approximately 100 bps in total by 2027. However, as market share growth through new development and transactions in existing stores increases over time, we would anticipate the entire system benefiting from economies of scale (efficiencies and purchasing leverage) to help offset the food cost impact from this change. Additionally, the business outside of the supply chain will also benefit from economies of scale, including marketing and digital and technology innovations.

Impact to Papa Johns International

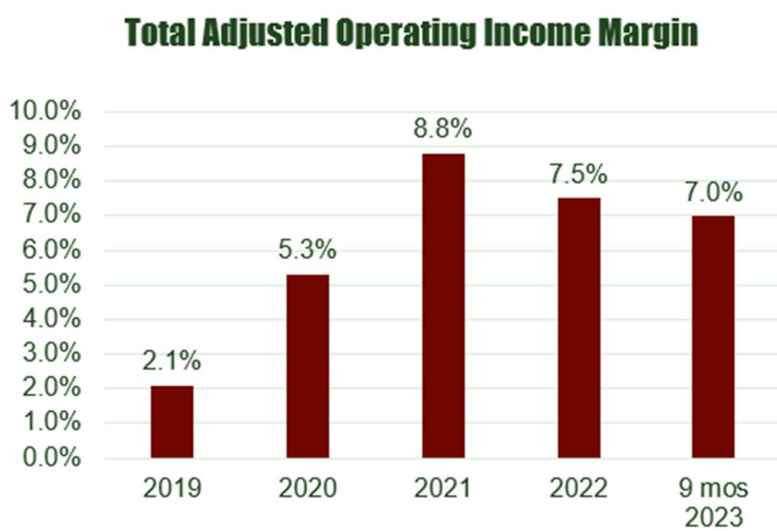
Segment Data Disclosure

Papa Johns discloses the operating income for its NA Commissary segment within the "Segment Information" footnote in its Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. Operating margin is calculated by dividing Operating income for North America commissaries by the sum of North America commissaries revenues and North America commissaries Intersegment revenues. Over the last 5 years, operating margins have ranged from 3.8% to 4.1%, well below the rates identified within the peer benchmarking study.

The North America commissary expenses on Papa Johns' Consolidated Statements of Operations do not include Depreciation and amortization (D&A) and General and administrative expenses (G&A) that are allocated to the NA Commissary when calculating the target operating margin rate. Over the last 5 years, when excluding D&A and G&A, operating margins have ranged from 6.7% to 7.7%. We anticipate that every 1% increase in operating margin within our NA commissary segment will increase the NA Commissary operating margin on Papa Johns' Consolidated Statements of Operations, excluding D&A and G&A, by approximately 125 basis points.



Additionally, we anticipate for every 1% increase in operating margin within our NA commissary segment will increase our Total Adjusted Operating Income margin by approximately 50 basis points.



Forward-Looking Statements

Certain matters discussed in this document and other Company communications that are not statements of historical fact constitute forward-looking statements within the meaning of the federal securities laws. Generally, the use of words such as “expect,” “intend,” “estimate,” “believe,” “anticipate,” “will,” “forecast,” “outlook”, “plan,” “project,” or similar words identify forward-looking statements that we intend to be included within the safe harbor protections provided by the federal securities laws. Such forward-looking statements include or may relate to projections or guidance concerning business performance, revenue, earnings, cash flow, earnings per share, share repurchases, the current economic environment, commodity and labor costs, currency fluctuations, profit margins, supply chain operating margin, net unit growth, unit level performance, capital expenditures, restaurant and franchise development, restaurant acquisitions, labor shortages, labor cost increases, inflation, royalty relief, franchisee support and incentives, the effectiveness of our menu innovations and other business initiatives, investments in product and digital innovation, marketing efforts and investments, liquidity, compliance with debt covenants, impairments, strategic decisions and actions, dividends, effective tax rates, regulatory changes and impacts, adoption of new accounting standards, and other financial and operational measures. Such statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict and many of which are beyond our control. Therefore, actual outcomes and results may differ materially from those matters expressed or implied in such forward-looking statements.

Our forward-looking statements are based on our assumptions which are based on currently available information. Actual outcomes and results may differ materially from those matters expressed or implied in our forward-looking statements as a result of various factors, including but not limited to risks related to: deteriorating economic conditions in the U.S.; labor shortages at Company and/or franchised stores and our quality control centers; increases in labor costs, commodity costs, supply chain incentive-based rebates, or sustained higher other operating costs, including as a result of supply chain disruption, inflation or climate change; the potential for delayed new store openings, both domestically and internationally, or lower net unit development due to changing circumstances outside of our control; the increased risk of phishing, ransomware and other cyber-attacks; risks and disruptions to the global economy and our business related to the conflict in Ukraine and other international conflicts; risks related to a possible economic recession or downturn that could reduce consumer spending or demand; and continuing risks related to outbreak of COVID-19 and other health crises. These and other risks, uncertainties and assumptions that are involved in our forward-looking statements are discussed in detail in “Part I. Item 1A. – Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 25, 2022 as updated by those included in our Quarterly Report on Form 10-Q for the quarter ended November 2, 2023. We undertake no obligation to update publicly any forward-looking statements, whether as a result of future events, new information or otherwise, except as required by law.