



April 6, 2004

Papa John's Announces March and First Quarter Comparable Sales Results; Updates Projected Impact of Cheese Prices on 2004 Earnings

LOUISVILLE, Ky.--(BUSINESS WIRE)--April 6, 2004--Papa John's International, Inc. (NASDAQ:PZZA) today announced that domestic systemwide comparable sales for the five weeks ended March 28, 2004 decreased 3.7% (composed of a 2.6% decrease at company-owned restaurants and a 4.1% decrease at franchise restaurants). Domestic systemwide comparable sales for the quarter ended March 28, 2004 increased 0.5% (composed of a 1.3% increase at company-owned restaurants and a 0.2% increase at franchise restaurants).

For the most recent full quarter of industry data available (December 2003 and January and February 2004), transactions in the U.S. quick service restaurant pizza category decreased approximately 2%, representing the eighth consecutive quarter of flat or declining transaction results.

Total systemwide international sales decreased 1.8% for March and increased 5.1% for the quarter, on a constant U.S. dollar basis, over the comparable periods last year. As noted in the prior year, all 17 franchised Papa John's restaurants in Venezuela included in the 2004 comparable sales base were closed approximately six of the thirteen weeks in the 2003 period due to political and economic unrest in that country. Although substantially all of the restaurants had reopened by March 2003, sales volumes were somewhat lower subsequent to their reopening. Excluding sales results for Venezuela in both years, total systemwide international sales decreased 2.1% for March and increased 2.1% for the quarter.

As previously disclosed, in January 2000, Papa John's Franchise Advisory Council initiated a program that allows the cost of cheese to Papa John's domestic restaurants to be established on a quarterly basis. This program is executed by BIBP Commodities, Inc. (BIBP), a franchisee-owned entity established solely for this purpose. Accordingly, the company's cheese costs do not mirror the actual block market price for cheese on a short-term basis; however, over time, the company's cheese costs will substantially equal the average block market price.

As required by the Financial Accounting Standards Board's Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51 (FIN 46), we began consolidating the financial results of BIBP at the end of the fourth quarter of 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; however, it was noted that the consolidation of BIBP's financial results could have a significant impact on the company's operating income in future periods due to the volatility of cheese prices.

Cheese prices in both the spot and futures markets have recently increased significantly. The closing actual block market price of cheese (the "spot" price) on February 24, 2004 (the date of the company's fourth quarter 2003 earnings release) was \$1.460 per pound and the expected average price for the February 2004 through January 2005 period based upon the Chicago Mercantile Exchange (CME) milk futures market (the "futures" price) as of that date was approximately \$1.496 per pound. By comparison, the closing spot price of cheese on April 2, 2004 was \$2.105 per pound, an all-time high, and the expected average futures price for the April 2004 through March 2005 period as of that date was approximately \$1.678.

Assuming actual cheese prices follow the CME futures market projections, Papa John's consolidated financial results for 2004 will be impacted in two ways: (1) the average cost of cheese to company-owned restaurants on a segment reporting basis as determined by the BIBP pricing formula will increase from the level previously disclosed in conjunction with the release of 2004 earnings guidance; and (2) the net operating losses of BIBP will be reflected in the company's operating income to the extent such operating losses create a net deficit position in shareholders' equity for BIBP.

The average equivalent per pound block market price of cheese expected to be paid by the company in 2004 has increased from approximately \$1.321 as previously disclosed in the December 12, 2003 earnings guidance release to approximately \$1.435 based upon the above-noted CME milk futures market projections and the BIBP pricing formula. This incremental increase in cheese costs is expected to result in additional restaurant food cost increases in the range of 60 to 70 basis points

as a percentage of restaurant sales. The Company previously announced an initiative to identify opportunities for improving restaurant operating margins, and expects to identify sufficient cost savings as a result of this initiative to substantially offset this anticipated increase in restaurant food cost. Accordingly, the company reaffirms its previously announced earnings per share guidance of \$2.20 to \$2.28, excluding any potential earnings impact from the consolidation of BIBP, as discussed further below.

The recent significant increases in spot cheese prices have produced operating losses and a net deficit in shareholders' equity for BIBP as of the end of the first quarter. As a result, the consolidation of BIBP will reduce the company's first quarter operating income by approximately \$1.5 to \$1.8 million. Further, based upon the above-noted CME milk futures market projections and the actual second quarter and projected third and fourth quarter cheese costs to restaurants as determined by the BIBP pricing formula, the consolidation of BIBP is projected to impact the company's operating income for the remainder of 2004 as follows: quarter 2 - approximately \$19 million reduction; quarter 3 - approximately \$6 million reduction; and quarter 4 - approximately \$2 million increase.

The cumulative net deficit in shareholders' equity for BIBP as of the end of 2004, all of which will be reflected in the company's 2004 operating income, is projected to be approximately \$25 million, representing an approximate \$0.86 per share reduction in the Company's 2004 earnings. Accordingly, 2004 earnings guidance including the expected impact from the consolidation of BIBP is projected to be in the \$1.34 to \$1.42 range.

Based upon the above-noted April 2, 2004 CME milk futures market prices through March 2005, the consolidation of BIBP is expected to increase the company's operating income in the first quarter of 2005 by \$5.1 million and, as previously noted, is further expected to achieve break-even financial results over time

At March 28, 2004, there were 2,809 Papa John's restaurants (570 company-owned and 2,239 franchised) operating in 49 states and 17 international markets. Papa John's also franchises 127 Perfect Pizza restaurants in the United Kingdom. For more information about the company, visit Papa John's at <http://www.papajohns.com>.

Except for historical information, this announcement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements reflect management's expectations based upon currently available information and data; however, actual results are subject to future events and uncertainties, which could cause actual results to differ materially from those projected in these statements. Certain factors that can cause actual results to differ materially include: the uncertainties associated with litigation; increased advertising, promotions and discounting by competitors that 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, insurance, employee benefits and similar costs; and economic, political and public health conditions in the countries in which the company or its franchisees operate. These factors might be especially harmful to the financial viability of franchisees in under-penetrated or emerging markets, leading to greater unit closings than anticipated. Further information regarding factors that could affect the company's financial and other results is included in the company's Forms 10-Q and 10-K, filed with the Securities and Exchange Commission.

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SOURCE: Papa John's International, Inc.