



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 September 24, 2023

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 John's Boulevard
Louisville, KY
(Address of principal executive offices)

40299-2367
(Zip Code)

(502) 261-7272
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common stock, \$0.01 par value	PZZA	The NASDAQ Stock Market LLC

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 has submitted electronically every interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At October 27, 2023, there were 32,755,858 shares of the Registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

<i>(In thousands, except per share amounts)</i>	September 24, 2023 (Unaudited)	December 25, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 37,492	\$ 47,373
Accounts receivable, net	109,697	102,533
Notes receivable, current portion	5,169	6,848
Income tax receivable	1,162	8,780
Inventories	37,666	41,382
Prepaid expenses and other current assets	51,943	44,123
Assets held for sale ^(a)	3,427	—
Total current assets	246,556	251,039
Property and equipment, net	268,087	249,793
Finance lease right-of-use assets, net	34,443	24,941
Operating lease right-of-use assets	166,360	172,425
Notes receivable, less current portion, net	15,016	21,248
Goodwill	76,011	70,616
Other assets	71,092	74,165
Total assets	\$ 877,565	\$ 864,227
Liabilities, Redeemable noncontrolling interests and Stockholders' deficit		
Current liabilities:		
Accounts payable	\$ 68,020	\$ 62,316
Income and other taxes payable	9,738	8,766
Accrued expenses and other current liabilities	153,772	142,535
Current deferred revenue	19,565	21,272
Current finance lease liabilities	9,520	6,850
Current operating lease liabilities	25,935	23,418
Current portion of long-term debt	14,789	—
Total current liabilities	301,339	265,157
Deferred revenue	20,699	23,204
Long-term finance lease liabilities	26,305	19,022
Long-term operating lease liabilities	153,506	160,905
Long-term debt, less current portion, net	769,210	597,069
Other long-term liabilities	65,494	68,317
Total liabilities	1,336,553	1,133,674
Redeemable noncontrolling interests	910	1,217
Stockholders' deficit:		
Common stock (\$0.01 par value per share; issued 49,227 at September 24, 2023 and 49,138 at December 25, 2022)	492	491
Additional paid-in capital	447,699	449,829
Accumulated other comprehensive loss	(7,916)	(10,135)
Retained earnings	208,132	195,856
Treasury stock (16,754 shares at September 24, 2023 and 14,402 shares at December 25, 2022, at cost)	(1,123,599)	(922,434)
Total stockholders' deficit	(475,192)	(286,393)
Noncontrolling interests in subsidiaries	15,294	15,729
Total Stockholders' deficit	(459,898)	(270,664)
Total Liabilities, Redeemable noncontrolling interests and Stockholders' deficit	\$ 877,565	\$ 864,227

^(a) Represents vacant land adjacent to the Company's Louisville office, which was sold on September 29, 2023.

See accompanying notes.

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

	Three Months Ended		Nine Months Ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
<i>(In thousands, except per share amounts)</i>				
Revenues:				
Domestic Company-owned restaurant sales	\$ 177,195	\$ 166,050	\$ 532,841	\$ 536,226
North America franchise royalties and fees	35,041	33,712	105,824	102,897
North America commissary revenues	204,887	216,115	624,433	645,177
International revenues	42,927	30,735	108,998	97,310
Other revenues	62,762	63,900	192,295	194,259
Total revenues	522,812	510,512	1,564,391	1,575,869
Costs and expenses:				
Operating costs (excluding depreciation and amortization shown separately below):				
Domestic Company-owned restaurant expenses	145,433	138,299	436,922	441,986
North America commissary expenses	189,551	203,129	576,434	604,689
International expenses	29,796	18,196	67,542	57,346
Other expenses	57,587	59,249	177,661	180,452
General and administrative expenses	52,173	57,935	154,441	168,519
Depreciation and amortization	16,404	13,338	46,815	38,012
Total costs and expenses	490,944	490,146	1,459,815	1,491,004
Refranchising and impairment loss	—	(905)	—	(12,065)
Operating income	31,868	19,461	104,576	72,800
Net interest expense	(11,378)	(7,623)	(31,674)	(17,967)
Income before income taxes	20,490	11,838	72,902	54,833
Income tax expense	4,539	3,374	16,546	9,212
Net income before attribution to noncontrolling interests	15,951	8,464	56,356	45,621
Net income attributable to noncontrolling interests	(90)	(133)	(351)	(1,363)
Net income attributable to the Company	\$ 15,861	\$ 8,331	\$ 56,005	\$ 44,258
Calculation of net income for earnings per share:				
Net income attributable to the Company	\$ 15,861	\$ 8,331	\$ 56,005	\$ 44,258
Dividends paid to participating securities	—	(86)	—	(228)
Net income attributable to participating securities	—	—	—	(34)
Net income attributable to common shareholders	\$ 15,861	\$ 8,245	\$ 56,005	\$ 43,996
Basic earnings per common share	\$ 0.49	\$ 0.23	\$ 1.69	\$ 1.23
Diluted earnings per common share	\$ 0.48	\$ 0.23	\$ 1.68	\$ 1.22
Basic weighted average common shares outstanding	32,564	35,259	33,053	35,602
Diluted weighted average common shares outstanding	32,800	35,448	33,287	35,840
Dividends declared per common share	\$ 0.46	\$ 0.42	\$ 1.30	\$ 1.12

See accompanying notes.

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

<i>(In thousands)</i>	Three Months Ended		Nine Months Ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
Net income before attribution to noncontrolling interests	\$ 15,951	\$ 8,464	\$ 56,356	\$ 45,621
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustments	(1,854)	(4,849)	(7)	(9,819)
Interest rate swaps ⁽¹⁾	1,039	1,169	2,889	4,758
Other comprehensive income (loss), before tax	(815)	(3,680)	2,882	(5,061)
Income tax effect:				
Foreign currency translation adjustments	426	1,114	1	2,258
Interest rate swaps ⁽²⁾	(238)	(268)	(664)	(1,094)
Income tax effect	188	846	(663)	1,164
Other comprehensive income (loss), net of tax	(627)	(2,834)	2,219	(3,897)
Comprehensive income before attribution to noncontrolling interests	15,324	5,630	58,575	41,724
Less: comprehensive income, redeemable noncontrolling interests	(30)	(31)	(135)	(559)
Less: comprehensive income, nonredeemable noncontrolling interests	(60)	(102)	(216)	(804)
Comprehensive income attributable to the Company	\$ 15,234	\$ 5,497	\$ 58,224	\$ 40,361

⁽¹⁾ Amounts reclassified out of accumulated other comprehensive loss into net interest income (expense) include \$203 and \$(40) for the three and nine months ended September 24, 2023, respectively and \$(1,650) and \$(1,850) for the three and nine months ended September 25, 2022, respectively.

⁽²⁾ The income tax effects of amounts reclassified out of accumulated other comprehensive loss were \$(46) and \$9 for the three and nine months ended September 24, 2023, respectively and \$371 and \$416 for the three and nine months ended September 25, 2022, respectively.

See accompanying notes.

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

Papa John's International, Inc.

(In thousands)	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss ⁽²⁾	Retained Earnings	Treasury Stock ⁽³⁾	Noncontrolling Interests in Subsidiaries	Total Stockholders' Deficit
For the three months ended September 24, 2023								
Balance at June 25, 2023	32,394	\$ 492	\$ 445,964	\$ (7,289)	\$ 207,461	\$ (1,127,669)	\$ 15,562	\$ (465,479)
Net income ⁽¹⁾	—	—	—	—	15,861	—	60	15,921
Other comprehensive income (loss), net of tax	—	—	—	(627)	—	—	—	(627)
Dividends on common stock	—	—	34	—	(15,190)	—	—	(15,156)
Exercise of stock options	18	—	1,134	—	—	—	—	1,134
Stock-based compensation expense	—	—	4,726	—	—	—	—	4,726
Issuance of restricted stock	7	—	(315)	—	—	315	—	—
Tax effect of restricted stock awards	(2)	—	(171)	—	—	—	—	(171)
Distributions to noncontrolling interests	—	—	—	—	—	—	(328)	(328)
Other	56	—	(3,673)	—	—	3,755	—	82
Balance at September 24, 2023	32,473	\$ 492	\$ 447,699	\$ (7,916)	\$ 208,132	\$ (1,123,599)	\$ 15,294	\$ (459,898)
For the nine months ended September 24, 2023								
Balance at December 25, 2022	34,736	\$ 491	\$ 449,829	\$ (10,135)	\$ 195,856	\$ (922,434)	\$ 15,729	\$ (270,664)
Net income ⁽¹⁾	—	—	—	—	56,005	—	216	56,221
Other comprehensive income (loss), net of tax	—	—	—	2,219	—	—	—	2,219
Dividends on common stock	—	—	88	—	(43,729)	—	—	(43,641)
Exercise of stock options	35	1	1,816	—	—	—	—	1,817
Acquisition of Company common stock ⁽³⁾	(2,523)	—	—	—	—	(212,444)	—	(212,444)
Stock-based compensation expense	—	—	13,224	—	—	—	—	13,224
Issuance of restricted stock	234	—	(6,857)	—	—	6,857	—	—
Tax effect of restricted stock awards	(75)	—	(6,279)	—	—	—	—	(6,279)
Distributions to noncontrolling interests	—	—	—	—	—	—	(651)	(651)
Other	66	—	(4,122)	—	—	4,422	—	300
Balance at September 24, 2023	32,473	\$ 492	\$ 447,699	\$ (7,916)	\$ 208,132	\$ (1,123,599)	\$ 15,294	\$ (459,898)

⁽¹⁾ Net income to the Company for the three and nine months ended September 24, 2023 excludes \$30 and \$135, respectively, allocable to the redeemable noncontrolling interests for our joint venture arrangements.

⁽²⁾ At September 24, 2023, the accumulated other comprehensive loss of \$7,916 was comprised of net unrealized foreign currency translation loss of \$8,702 and net unrealized gain on the interest rate swap agreements of \$786.

⁽³⁾ Acquisition of Company common stock for the nine months ended September 24, 2023 includes \$2,804 of transaction costs directly attributable to share repurchases, including a 1% excise tax incurred under the Inflation Reduction Act of 2022.

See accompanying notes.

Papa John's International, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Deficit (continued)
(Unaudited)

Papa John's International, Inc.

<i>(In thousands)</i>	Papa John's International, Inc.								
For the three months ended September 25, 2022	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss ⁽²⁾	Retained Earnings	Treasury Stock	Noncontrolling Interests in Subsidiaries	Total Stockholders' Deficit	
Balance at June 26, 2022	35,248	\$ 491	\$ 442,255	\$ (11,034)	\$ 193,934	\$ (875,205)	\$ 15,761	\$ (233,798)	
Net income ⁽¹⁾	—	—	—	—	8,331	—	102	8,433	
Other comprehensive income (loss), net of tax	—	—	—	(2,834)	—	—	—	(2,834)	
Dividends on common stock	—	—	57	—	(14,979)	—	—	(14,922)	
Exercise of stock options	16	—	823	—	—	—	—	823	
Acquisition of Company common stock	(229)	—	—	—	—	(19,529)	—	(19,529)	
Stock-based compensation expense	—	—	5,146	—	—	—	—	5,146	
Issuance of restricted stock	50	—	(1,671)	—	—	1,760	—	89	
Tax effect of restricted stock awards	(22)	—	(1,900)	—	—	—	—	(1,900)	
Distributions to noncontrolling interests	—	—	—	—	—	—	(216)	(216)	
Other	2	—	(67)	—	—	156	—	89	
Balance at September 25, 2022	35,065	\$ 491	\$ 444,643	\$ (13,868)	\$ 187,286	\$ (892,818)	\$ 15,647	\$ (258,619)	
For the nine months ended September 25, 2022									
Balance at December 26, 2021	35,797	\$ 490	\$ 445,126	\$ (9,971)	\$ 183,157	\$ (806,472)	\$ 15,212	\$ (172,458)	
Net income ⁽¹⁾	—	—	—	—	44,258	—	804	45,062	
Other comprehensive income (loss), net of tax	—	—	—	(3,897)	—	—	—	(3,897)	
Dividends on common stock	—	—	153	—	(40,129)	—	—	(39,976)	
Exercise of stock options	55	1	2,730	—	—	—	—	2,731	
Acquisition of Company common stock	(982)	—	—	—	—	(95,000)	—	(95,000)	
Stock-based compensation expense	—	—	14,246	—	—	—	—	14,246	
Issuance of restricted stock	279	—	(8,122)	—	—	8,210	—	88	
Tax effect of restricted stock awards	(92)	—	(9,426)	—	—	—	—	(9,426)	
Distributions to noncontrolling interests	—	—	—	—	—	—	(366)	(366)	
Other	8	—	(64)	—	—	444	(3)	377	
Balance at September 25, 2022	35,065	\$ 491	\$ 444,643	\$ (13,868)	\$ 187,286	\$ (892,818)	\$ 15,647	\$ (258,619)	

⁽¹⁾ Net income to the Company for the three and nine months ended September 25, 2022 excludes \$31 and \$559, respectively, allocable to the redeemable noncontrolling interests for our joint venture arrangements.

⁽²⁾ At September 25, 2022, the accumulated other comprehensive loss of \$13,868 was comprised of net unrealized foreign currency translation loss of \$12,430 and net unrealized loss on the interest rate swap agreements of \$1,438.

See accompanying notes.

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

<i>(In thousands)</i>	Nine Months Ended	
	September 24, 2023	September 25, 2022
Operating activities		
Net income before attribution to noncontrolling interests	\$ 56,356	\$ 45,621
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for allowance for credit losses on accounts and notes receivable	1,348	18,576
Depreciation and amortization	46,815	38,012
Refranchising and impairment loss	—	12,065
Deferred income taxes	3,481	519
Stock-based compensation expense	13,224	14,246
Other	331	(466)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(11,643)	(19,584)
Income tax receivable	7,617	(1,146)
Inventories	3,875	(8,185)
Prepaid expenses and other current assets	(2,104)	2,065
Other assets and liabilities	2,057	(4,919)
Accounts payable	15,237	16,188
Income and other taxes payable	1,087	(1,789)
Accrued expenses and other current liabilities	(6,579)	(32,404)
Deferred revenue	(4,166)	(2,246)
Net cash provided by operating activities	126,936	76,553
Investing activities		
Purchases of property and equipment	(50,905)	(48,424)
Notes issued	(7,310)	(2,248)
Repayments of notes issued	5,759	8,125
Acquisitions, net of cash acquired	(5,599)	(1,346)
Proceeds from refranchising, net of cash transferred	—	13,588
Other	401	76
Net cash used in investing activities	(57,654)	(30,229)
Financing activities		
Net proceeds of revolving credit facilities	185,789	66,999
Proceeds from exercise of stock options	1,816	2,730
Acquisition of Company common stock	(210,348)	(95,000)
Dividends paid to common stockholders	(43,641)	(39,949)
Tax payments for equity award issuances	(6,279)	(9,426)
Distributions to noncontrolling interests	(651)	(1,090)
Other	(5,825)	(3,480)
Net cash used in financing activities	(79,139)	(79,216)
Effect of exchange rate changes on cash and cash equivalents	(24)	(1,100)
Change in cash and cash equivalents	(9,881)	(33,992)
Cash and cash equivalents at beginning of period	47,373	70,610
Cash and cash equivalents at end of period	\$ 37,492	\$ 36,618

See accompanying notes.

Papa John's International, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

September 24, 2023

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 ("GAAP" or "U.S. GAAP") 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 GAAP for complete annual 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 and nine months ended September 24, 2023 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2023. 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," "Papa Johns" or in the first-person notations of "we," "us" and "our") for the year ended December 25, 2022.

In discussions of our business, "Domestic" is defined as within the contiguous United States, "North America" includes Canada, and "International" includes the rest of the world other than North America.

2. Significant Accounting Policies

Principles of Consolidation

The accompanying Condensed Consolidated Financial Statements include the accounts of Papa John's International, Inc. and its subsidiaries. All intercompany balances and transactions have been eliminated.

Variable Interest Entity

Papa John's domestic restaurants, both Company-owned and franchised, participate in Papa John's Marketing Fund, Inc. ("PJMF"), a nonstock corporation designed to operate at break-even as it spends all annual contributions received from the system. PJMF collects a percentage of revenues from Company-owned and franchised restaurants in the United States and Canada for the purpose of designing and administering advertising and promotional programs. PJMF is a variable interest entity ("VIE") that funds its operations with ongoing financial support and contributions from the North America restaurants, of which approximately 85 percent are franchised, and does not have sufficient equity to fund its operations without these ongoing financial contributions. Based on an assessment of the governance structure and operating procedures of PJMF, the Company determined it has the power to control certain significant activities of PJMF, and therefore, is the primary beneficiary. The Company has consolidated PJMF in its financial results in accordance with Accounting Standards Codification ("ASC") 810, "*Consolidation*."

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Significant items that are subject to such estimates and assumptions include the allowance for credit losses on accounts and notes receivable, intangible assets, contract assets and contract liabilities including the customer loyalty program obligation, right-of-use assets and lease liabilities, unredeemed gift card liabilities, insurance reserves and tax reserves. Although management bases its estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, actual results could significantly differ from these estimates.

Noncontrolling Interests

Papa John's has joint venture arrangements in which there are noncontrolling interests held by third parties that included 98 restaurants at September 24, 2023 and September 25, 2022, respectively. As further described in "Note 10. Divestitures" we divested our 51 percent interest in one joint venture in Texas that owned 90 restaurants in the second quarter of 2022. Consolidated net income is required to be reported separately at amounts attributable to both the Company and the noncontrolling interests.

Net income attributable to these joint ventures for the three and nine months ended September 24, 2023 and September 25, 2022 was as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
Papa John's International, Inc.	\$ 196	\$ 314	\$ 821	\$ 2,642
Noncontrolling interests	90	133	351	1,363
Total net income	\$ 286	\$ 447	\$ 1,172	\$ 4,005

The following summarizes the redemption feature, location and related accounting within the Condensed Consolidated Balance Sheets for these joint venture arrangements:

Type of Joint Venture Arrangement	Location within the Condensed Consolidated Balance Sheets	Recorded Value
Joint ventures with no redemption feature	Permanent equity	Carrying value
Joint ventures with option to require the Company to purchase the noncontrolling interest - not currently redeemable or redemption not probable	Temporary equity	Carrying value

Deferred Income Tax Accounts and Tax Reserves

We are subject to income taxes in the United States and several foreign jurisdictions. Significant judgment is required in determining the provision for income taxes and the related assets and liabilities. The provision for income taxes includes income taxes paid, currently payable or receivable and those deferred. We use an estimated annual effective rate based on expected annual income to determine our quarterly provision for income taxes. The effective income tax rate includes the estimated domestic state effective income tax rate and applicable foreign income tax rates. The effective income tax rate is also impacted by various permanent items and credits, net of any related valuation allowances, and can vary based on changes in estimated annual income. Discrete items are recorded in the quarter in which they occur.

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences reverse. Deferred tax assets and liabilities are netted by tax jurisdiction. Deferred tax assets are also recognized for the estimated future effects of tax attribute carryforwards (e.g., net operating losses, capital losses, and foreign tax credits). The effect on deferred taxes due to changes in tax rates is recognized in the period in which the new tax rate is enacted. Valuation allowances are established when necessary on a jurisdictional basis to reduce deferred tax assets to the amounts we expect to realize. Deferred tax assets and liabilities are recorded within Other assets and Other long-term liabilities on the Condensed Consolidated Balance Sheets.

Tax authorities periodically audit the Company. We record reserves and related interest and penalties for identified exposures as income tax expense. We evaluate these issues on a quarterly basis to adjust for events, such as statute of limitations expirations, court rulings or audit settlements, which may impact our ultimate payment for such exposures.

Fair Value Measurements and Disclosures

The Company determines the fair value of financial assets and liabilities based on the price that would be received to sell the asset or paid to transfer the liability to a market participant. Certain assets and liabilities are measured at fair value on a recurring basis and are required to be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

Fair value is a market-based measurement, not an entity-specific measurement. Considerable judgment is required to interpret market data to estimate fair value; accordingly, the fair values presented do not necessarily indicate what the Company or its debtholders could realize in a current market exchange.

Our financial assets that were measured at fair value on a recurring basis as of September 24, 2023 and December 25, 2022 are as follows:

<i>(In thousands)</i>	Carrying Value	Fair Value Measurements		
		Level 1	Level 2	Level 3
September 24, 2023				
Financial assets:				
Cash surrender value of life insurance policies ^(a)	\$ 26,984	\$ 26,984	\$ —	\$ —
Interest rate swaps ^(b)	\$ 785	\$ —	\$ 785	\$ —
December 25, 2022				
Financial assets:				
Cash surrender value of life insurance policies ^(a)	\$ 30,120	\$ 30,120	\$ —	\$ —
Interest rate swaps ^(b)	\$ 986	\$ —	\$ 986	\$ —

^(a) Represents life insurance policies held in our non-qualified deferred compensation plan.

^(b) The fair value of our interest rate swaps is based on the sum of all future net present value cash flows. The future cash flows are derived based on the terms of our interest rate swaps, as well as considering published discount factors, and projected Secured Overnight Financing Rates (“SOFR”). Interest rate swaps entered into prior to 2023 were based on London Interbank Offered Rates (“LIBOR”).

The fair value of certain assets and liabilities approximates carrying value because of the short-term nature of the accounts, including cash and cash equivalents, accounts receivable, net of allowances, and accounts payable. The carrying value of notes receivable, net of allowances, also approximates fair value. The Company’s revolving credit facilities under the Company’s credit agreement approximate carrying value due to their variable market-based interest rate. The Company’s 3.875% senior notes are classified as a Level 2 fair value measurement since the Company estimates the fair value by using recent trading transactions, and have the following estimated fair values and carrying values (excluding the impact of unamortized debt issuance costs) as of September 24, 2023 and December 25, 2022:

<i>(In thousands)</i>	September 24, 2023		December 25, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
3.875% Senior Notes	\$ 400,000	\$ 333,000	\$ 400,000	\$ 339,500

Allowance for Credit Losses

Estimates of expected credit losses, even if remote, are based upon historical account write-off trends, facts about the current financial condition of the debtor, forecasts of future operating results based upon current trends of select operating metrics, and macroeconomic factors. Credit quality is monitored through the timing of payments compared to the prescribed payment terms and known facts regarding the financial condition of the franchisee or customer. Account and note balances are charged against the allowance after recovery efforts have ceased.

The following table summarizes changes in our allowances for credit losses for accounts receivable and notes receivable:

<i>(In thousands)</i>	Accounts Receivable	Notes Receivable
Balance at December 25, 2022	\$ 6,718	\$ 14,499
Current period provision for expected credit losses, net	1,234	114
Write-offs charged against the allowance	(1,496)	(147)
Balance at September 24, 2023	\$ 6,456	\$ 14,466

3. Leases

Lessor Operating Leases

The Company subleases certain retail space to our franchisees in the United Kingdom (“UK”), which are primarily operating leases. At September 24, 2023, we leased and subleased 340 Papa Johns restaurants to franchisees in the UK. The initial lease terms on the franchised sites in the UK are generally 15 years. The Company has the option to negotiate an extension toward the end of the lease term at the landlord’s discretion. The initial lease terms of the franchisee subleases are generally five to ten years. Rental income, primarily derived from properties leased and subleased to franchisees in the UK, is recognized on a straight-line basis over the respective operating lease terms. The Company recognized total sublease income of \$2.3 million and \$8.0 million for the three and nine months ended September 24, 2023, respectively, and \$3.0 million and \$9.0 million for the three and nine months ended September 25, 2022, respectively, within Other revenues in the Condensed Consolidated Statements of Operations.

Lease Guarantees

As a result of assigning our interest in obligations under property leases as a condition of the franchising of certain restaurants, we are contingently liable for payment of 49 domestic leases. These leases have varying terms, the latest of which expires in 2036. As of September 24, 2023, the estimated maximum amount of undiscounted payments the Company could be required to make in the event of nonpayment by the primary lessees was \$7.7 million. This contingent liability is not included in the Condensed Consolidated Balance Sheets as it is not probable to occur. The fair value of the guarantee is not material.

Supplemental Cash Flow & Other Information

Supplemental cash flow information related to leases for the periods reported is as follows:

<i>(In thousands)</i>	Nine Months Ended	
	September 24, 2023	September 25, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 1,128	\$ 754
Financing cash flows from finance leases	\$ 5,975	\$ 3,854
Operating cash flows from operating leases ^(a)	\$ 28,394	\$ 26,771
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 16,518	\$ 5,980
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 17,652	\$ 43,639
Cash received from sublease income	\$ 7,160	\$ 8,251

^(a) Included within the change in Other assets and liabilities within the Condensed Consolidated Statements of Cash Flows offset by non-cash operating lease right-of-use asset amortization and lease liability accretion.

4. Papa John’s Marketing Fund, Inc.

PJMF, which is a consolidated VIE where the Company has been identified as the primary beneficiary, collects a percentage of revenues from Company-owned and franchised restaurants in the United States, for the purpose of designing and administering advertising and promotional programs for all participating Domestic restaurants. Contributions and expenditures are reported on a gross basis in the Condensed Consolidated Statements of Operations within Other revenues and Other expenses. PJMF also has a wholly-owned subsidiary, Papa Card, Inc., which administers the Company’s gift card programs.

Assets and liabilities of PJMF, which are utilized solely for the Company's advertising and promotional programs, were as follows in the Condensed Consolidated Balance Sheets (in thousands):

	September 24, 2023	December 25, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,963	\$ 17,174
Accounts receivable, net	24,274	14,780
Prepaid expenses and other current assets	8,278	1,815
Total current assets	36,515	33,769
Deferred income taxes	655	655
Total assets	\$ 37,170	\$ 34,424
Liabilities		
Current liabilities:		
Accounts payable	\$ 517	\$ 12,428
Accrued expenses and other current liabilities	21,762	17,936
Current portion of long-term debt	14,789	—
Current deferred revenue	3,451	4,395
Total current liabilities	40,519	34,759
Deferred revenue	1,995	2,503
Total liabilities	\$ 42,514	\$ 37,262

5. Revenue Recognition

Contract Balances

Our contract liabilities primarily relate to franchise fees, unredeemed gift card liabilities, and loyalty program obligations, which we classify as Deferred revenue on the Condensed Consolidated Balance Sheets. During the three and nine months ended September 24, 2023, the Company recognized \$8.1 million and \$24.4 million in revenue, respectively, related to deferred revenue compared to \$8.0 million and \$25.6 million for the three and nine months ended September 25, 2022.

The following table includes a breakout of contract liability balances (in thousands):

	Contract Liabilities		
	September 24, 2023	December 25, 2022	Change
Franchise fees and unredeemed gift card liabilities	\$ 27,189	\$ 30,710	\$ (3,521)
Customer loyalty program obligations	13,075	13,766	(691)
Total contract liabilities	\$ 40,264	\$ 44,476	\$ (4,212)

Our contract assets consist primarily of equipment incentives provided to franchisees. Equipment incentives are related to the future value of commissary revenue the Company will receive over the term of the incentive agreement. As of September 24, 2023 and December 25, 2022, the contract assets were approximately \$6.7 million and \$6.2 million, respectively. For the three and nine months ended September 24, 2023, revenue was reduced approximately \$0.9 million and \$2.7 million, respectively, for the amortization of contract assets over the applicable contract terms. For the three and nine months ended September 25, 2022, revenue was reduced approximately \$0.8 million and \$2.7 million, respectively, for the amortization of contract assets over the applicable contract terms. Contract assets are included in Prepaid expenses and other current assets and Other assets on the Condensed Consolidated Balance Sheets.

Transaction Price Allocated to the Remaining Performance Obligations

The following table (in thousands) includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied at the end of the reporting period.

	Performance Obligations by Period							Total
	Less than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Thereafter		
Franchise fees	\$ 3,015	\$ 2,774	\$ 2,566	\$ 2,308	\$ 2,033	\$ 5,631	\$ 18,327	

At September 24, 2023, approximately \$3.5 million of area development fees related to unopened stores and international unearned royalties are included in Deferred revenue. Timing of revenue recognition is dependent upon the timing of store openings and franchisees' revenues. Gift card liabilities of approximately \$5.4 million, included in Deferred revenue, will be recognized in Company-owned restaurant revenues when gift cards are redeemed. The Company will recognize redemption fee revenue in Other revenues when cards are redeemed at franchised restaurant locations.

The Company applies the practical expedient in ASC 606, "Revenue Recognition" and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

6. Common Stock

Shares Authorized and Outstanding

The Company has authorized 100.0 million shares of common stock as of September 24, 2023 and December 25, 2022. The Company's outstanding shares of common stock outstanding, net of repurchased shares of common stock held as treasury stock, were 32.5 million shares at September 24, 2023, compared to 34.7 million shares at December 25, 2022.

Share Repurchase Program

On October 28, 2021, our Board of Directors (the "Board") approved a share repurchase program with an indefinite duration for up to \$425.0 million of the Company's common stock. The following table summarizes our repurchase activity under our share repurchase programs for the three and nine months ended September 24, 2023 and September 25, 2022:

(In thousands, except average price per share)	Total Number of Shares Purchased	Average Price Paid per Share	Aggregate Cost of Shares Purchased	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Three Months Ended				
September 24, 2023	—	\$ —	\$ —	\$ 90,160
September 25, 2022	229	\$ 85.15	\$ 19,529	\$ 329,800

(In thousands, except average price per share)	Total Number of Shares Purchased	Average Price Paid per Share	Aggregate Cost of Shares Purchased ^(a)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Nine Months Ended				
September 24, 2023	2,523	\$ 83.10	\$ 209,640	\$ 90,160
September 25, 2022	982	\$ 96.71	\$ 95,000	\$ 329,800

^(a) Aggregate cost of shares purchased for the nine months ended September 24, 2023 excludes \$2.8 million of transaction costs directly attributable to share repurchases, including a 1% excise tax incurred under the Inflation Reduction Act of 2022. Of these costs, \$2.1 million were classified as non-cash financing activities during the nine months ended September 24, 2023.

The shares repurchased during the nine months ended September 24, 2023 included 2,176,928 shares repurchased on March 1, 2023 from certain funds affiliated with, or managed by, Starboard Value LP (collectively, "Starboard"), at a price of \$82.52 per share, for aggregate consideration of \$179.6 million. The transaction was negotiated by an independent committee of the Board of Directors formed for the purpose of evaluating a possible transaction involving Starboard, and was approved by the full Board of Directors upon such independent committee's recommendation. Starboard's Chief Executive Officer is Jeffrey Smith, who previously served as the Company's Chairman of the Board until his resignation on March 1, 2023.

The timing and volume of share repurchases under the Company's share repurchase programs may be executed at the discretion of management on an opportunistic basis, subject to market and business conditions, regulatory requirements and other factors, or pursuant to trading plans or other arrangements. Repurchases under the programs may be made through open market, block, and privately negotiated transactions, including Rule 10b5-1 plans, at times and in such amounts as management deems appropriate. Repurchases under the Company's share repurchase programs may be commenced or suspended from time to time at the Company's discretion without prior notice. Funding for the share repurchase programs will be provided through our credit facility, operating cash flow, stock option exercises and cash and cash equivalents.

Dividends

The Company paid dividends of approximately \$43.6 million (\$1.30 per share) for the nine months ended September 24, 2023. On October 24, 2023, our Board of Directors declared a fourth quarter dividend of \$0.46 per common share (approximately \$15.1 million in the aggregate), which will be paid on November 24, 2023 to stockholders of record as of the close of business on November 13, 2023. The declaration and payment of any future dividends will be at the discretion of our Board of Directors.

7. Earnings per Share

We compute earnings per share using the two-class method. The two-class method requires an earnings allocation formula that determines earnings per share for common shareholders and participating security holders according to dividends declared and participating rights in undistributed earnings. Time-based restricted stock awards are participating securities because holders of such shares have non-forfeitable dividend rights and participate in undistributed earnings with common stock. Under the two-class method, total dividends provided to the holders of participating securities and undistributed earnings allocated to participating securities, are subtracted from net income attributable to the Company in determining net income attributable to common shareholders.

Basic earnings per common share are computed by dividing net income attributable to common shareholders by the weighted-average common shares outstanding. Diluted earnings per common share are computed by dividing the net income attributable to common shareholders by the diluted weighted average common shares outstanding. Diluted weighted average common shares outstanding consist of basic weighted average common shares outstanding plus weighted average awards outstanding under our equity compensation plans, which are dilutive securities.

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

	Three Months Ended		Nine Months Ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
Basic earnings per common share				
Net income attributable to the Company	\$ 15,861	\$ 8,331	\$ 56,005	\$ 44,258
Dividends paid to participating securities	—	(86)	—	(228)
Net income attributable to participating securities	—	—	—	(34)
Net income attributable to common shareholders	\$ 15,861	\$ 8,245	\$ 56,005	\$ 43,996
Basic weighted average common shares outstanding	32,564	35,259	33,053	35,602
Basic earnings per common share	\$ 0.49	\$ 0.23	\$ 1.69	\$ 1.23
Diluted earnings per common share				
Net income attributable to common shareholders	\$ 15,861	\$ 8,245	\$ 56,005	\$ 43,996
Weighted average common shares outstanding	32,564	35,259	33,053	35,602
Dilutive effect of outstanding equity awards ^(a)	236	189	234	238
Diluted weighted average common shares outstanding	32,800	35,448	33,287	35,840
Diluted earnings per common share	\$ 0.48	\$ 0.23	\$ 1.68	\$ 1.22

^(a) Excludes 48,000 and 147,000 shares underlying equity awards for the three and nine months ended September 24, 2023, respectively, and 58,000 and 47,000 shares underlying equity awards for the three and nine months ended September 25, 2022, respectively, as the effect of including such awards would have been anti-dilutive.

8. Debt

Long-term debt, net, consists of the following (in thousands):

	September 24, 2023	December 25, 2022
Senior notes	\$ 400,000	\$ 400,000
Revolving facilities ^(a)	390,789	205,000
Outstanding debt	\$ 790,789	\$ 605,000
Unamortized debt issuance costs	(6,790)	(7,931)
Current portion of long-term debt	(14,789)	—
Total long-term debt, net	<u>\$ 769,210</u>	<u>\$ 597,069</u>

^(a) Revolving facilities as of September 24, 2023 includes \$14.8 million outstanding under the PJMF Revolving Facility as defined and discussed below.

Senior Notes

On September 14, 2021, the Company issued \$400.0 million of 3.875% senior notes (the “Notes”) which will mature on September 15, 2029. Interest on the Notes is payable semi-annually in cash in arrears on March 15 and September 15 of each year at a fixed interest rate of 3.875% per annum. Refer to Note 12 of the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 25, 2022, for further description of the provisions and covenant requirements under the Senior Notes.

Credit Agreement

The Company’s amended and restated credit agreement, dated September 14, 2021 (the “Credit Agreement”) provides for a senior secured revolving credit facility in an aggregate available principal amount of \$600.0 million (the “PJI Revolving Facility”), of which up to \$40.0 million is available as swingline loans and up to \$80.0 million is available as letters of credit. The PJI Revolving Facility will mature on September 14, 2026. The remaining availability under the PJI Revolving Facility was approximately \$224.0 million as of September 24, 2023. Refer to Note 12 of the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 25, 2022 for further description of the provisions and covenant requirements under the Credit Agreement.

PJMF Revolving Facility

PJMF has a \$20.0 million revolving line of credit (the “PJMF Revolving Facility”) pursuant to a Revolving Loan Agreement, dated September 30, 2015 with U.S. Bank National Association, as lender. The PJMF Revolving Facility is secured by substantially all assets of PJMF. The PJMF Revolving Facility matures on September 30, 2023, but is subject to annual amendments. The borrowings under the PJMF Revolving Facility accrue interest at a variable rate of a one month SOFR plus 1.60%. The applicable interest rate on the PJMF Revolving facility was 6.9% for the three months ended September 24, 2023. As of September 24, 2023, the principal amount of debt outstanding under the PJMF Revolving Facility was approximately \$14.8 million and is classified as Current portion of long-term debt in the Condensed Consolidated Balance Sheets. The PJMF operating results and the related debt outstanding do not impact the financial covenants under the Credit Agreement.

On September 30, 2023, the Company amended the PJMF Revolving Facility to, among other items: (i) extend the maturity date to September 30, 2024; (ii) amend the variable interest rate to a one month SOFR plus 1.975%; and (iii) expand the capacity from \$20.0 million to \$30.0 million.

Derivative Financial Instruments

On June 23, 2023, the Company entered into a new interest rate swap with an initial notional value of \$100.0 million to replace the Company’s prior interest swaps, which had a notional value of \$125.0 million and matured on April 30, 2023. The objective of the interest rate swap is to mitigate the Company’s exposure to the impact of interest rate changes associated with our variable rate debt under the PJI Revolving Facility. We have designated the interest rate swap as a cash flow hedge and will assess hedge effectiveness at regular intervals through the maturity date of June 30, 2025. The interest rate swaps are recorded at fair value at each reporting date, and any unrealized gains or losses are included in Accumulated

other comprehensive loss in the Condensed Consolidated Balance Sheets and reclassified to Net interest expense in the Condensed Consolidated Statements of Operations in the same period or periods during which the hedged transaction affect earnings.

As of September 24, 2023, we have the following interest rate swap agreements:

Effective Dates	Floating Rate Debt	Fixed Rates
June 23, 2023 through June 30, 2025	\$ 50 million	4.55%
June 23, 2023 through June 30, 2025	\$ 50 million	4.55%

The following table provides information on the location and amounts of our current and expired swaps in the accompanying condensed consolidated financial statements (in thousands):

Balance Sheet Location	Interest Rate Swap Derivatives	
	Fair Value September 24, 2023	Fair Value December 25, 2022
Other current assets	\$ 726	\$ 986
Other assets	\$ 59	\$ —

The effect of derivative instruments on the accompanying condensed consolidated financial statements is as follows (in thousands):

	Derivatives - Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in AOCL on Derivative	Location of (Loss) or Gain Reclassified from AOCL into Income	Amount of (Loss) or Gain Reclassified from AOCL into Income	Total Net Interest Expense on Condensed Consolidated Statements of Operations
Interest rate swaps for the three months ended:					
September 24, 2023		\$ 801	Interest expense	\$ 203	\$ (11,378)
September 25, 2022		\$ 901	Interest expense	\$ (1,650)	\$ (7,623)
Interest rate swaps for the nine months ended:					
September 24, 2023		\$ 2,225	Interest Expense	\$ (40)	\$ (31,674)
September 25, 2022		\$ 3,664	Interest Expense	\$ (1,850)	\$ (17,967)

Net interest paid, including payments made or received under the swaps, was \$11.2 million and \$9.6 million for the three months ended September 24, 2023 and September 25, 2022, respectively, and \$28.0 million and \$22.2 million for the nine months ended September 24, 2023 and September 25, 2022, respectively.

9. Litigation, Commitments and Contingencies

Litigation

The Company is involved in a number of lawsuits, claims, investigations and proceedings, including those specifically identified below, consisting of intellectual property, employment, consumer, commercial and other matters arising in the ordinary course of business. In accordance with ASC 450, "Contingencies," the Company has made accruals with respect to these matters, where appropriate, which are reflected in the Company's condensed consolidated financial statements. We review these provisions at least quarterly and adjust these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case.

Durling et al v. Papa John's International, Inc., is a conditionally certified collective action filed in May 2016 in the United States District Court for the Southern District of New York, alleging that corporate restaurant delivery drivers were

not properly reimbursed for vehicle mileage and expenses in accordance with the Fair Labor Standards Act. In July 2018, the District Court granted a motion to certify a conditional corporate collective class and the opt-in notice process has been completed. As of the close of the opt-in period on October 29, 2018, 9,571 drivers opted into the collective class. On September 30, 2022, the parties reached a settlement in principle to resolve the case. On December 19, 2022, the District Court granted preliminary approval of the settlement, and following a hearing on July 27, 2023, the District Court granted final approval of the settlement. Pursuant to the terms of the settlement, which contemplated a total aggregate settlement amount of no more than \$20.0 million subject to a claims-made process, all claims in the action will be dismissed, the litigation will be terminated, and the Company will receive a release. The settlement also includes resolution of a companion case, *Hubbard, et al. v. Papa John's International, Inc.*, pending in the United States District Court for the Western District of Kentucky. The settlement is subject to a claims-made process whereby unclaimed funds revert to the Company, and the Company was only responsible for payments to class and collective action members who timely submitted a claim form. On January 18, 2023, the Company remitted \$5.0 million to the settlement administrator as partial funding of the settlement in accordance with the terms of the applicable settlement agreement. On August 10, 2023, the Company remitted the remaining \$5.6 million settlement amount to the administrator in accordance with the final settlement terms. The settlement of these claims and lawsuits is materially complete, and the Company anticipates that the claims process will be concluded by the end of 2023.

In re Papa John's Employee & Franchise Employee Antitrust Litigation is a putative class action filed in December 2018 in the United States District Court for the Western District of Kentucky. The suit alleges that the "no-poaching" provision previously contained in the Company's franchise agreement constituted an unlawful agreement or conspiracy in restraint of trade and commerce in violation of Section 1 of the Sherman Antitrust Act. On April 14, 2022, the parties reached a settlement in principle to resolve the case. Pursuant to the terms of the proposed settlement, in exchange for the Company's payment of a total aggregate settlement amount of \$5.0 million and other non-monetary consideration, all claims in the action will be dismissed, the litigation will be terminated, and the Company will receive a release. The settlement amount was recorded in General and administrative expenses in the Condensed Consolidated Statements of Operations in the first quarter of 2022 and remained accrued in Accrued expenses and other accrued liabilities in the Condensed Consolidated Balance Sheets as of September 24, 2023. The proposed settlement remains subject to approval by the District Court and contains certain customary contingencies. The Company continues to deny any liability or wrongdoing in this matter.

10. Divestitures

Refranchising Loss

On March 28, 2022, we refranchised our 51% ownership interest in a 90-restaurant consolidated joint venture in Texas for \$14.0 million, net of transaction costs. In connection with the divestiture, we recorded a one-time, non-cash charge of \$8.4 million in Refranchising and impairment loss in the Condensed Consolidated Statements of Operations, which reflects net sale proceeds of \$14.0 million, the noncontrolling interest of \$4.2 million, and the recognition of an unearned royalty stream of \$12.2 million to be recognized as revenue over the 10-year term of the franchise agreement executed concurrent with the disposition in accordance with ASC 810, "Consolidation." The \$8.4 million of the one-time, non-cash refranchising loss was recorded in the first quarter of 2022 and realized upon consummation of the sale in the second quarter of 2022.

Impairment of Reacquired Master Franchise Rights

In the first quarter of 2022, the Company recorded an impairment of \$2.8 million in Refranchising and impairment loss in the Condensed Consolidated Statements of Operations for reacquired franchise rights due to the financial and operational impact of the conflict in Ukraine and government actions taken in response to that conflict, including, but not limited to, international sanctions. The reacquired franchise rights were previously acquired from a former master franchisee and capitalized by the Company.

11. Segment Information

We have four reportable segments: Domestic Company-owned restaurants, North America franchising, North America commissaries, and International operations. The Domestic Company-owned restaurant segment consists of the operations of all Domestic Company-owned restaurants and derives its revenues principally from retail sales of pizza, Papadias, which are flatbread-style sandwiches, and side items, including breadsticks, cheesesticks, chicken poppers and wings, dessert items and canned or bottled beverages. The North America 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 franchisees located in the United States and Canada. The North America 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 in the United States and

Canada. The International segment consists of the operations of all Company-owned restaurants located in the UK, as well as distribution sales to franchised Papa John's restaurants located in the UK 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. All other business units that do not meet the quantitative thresholds for determining reportable segments, which are not operating segments, we refer to as "all other," which consists of operations that derive revenues from the sale, principally to Company-owned and franchised restaurants, of printing and promotional items, franchise contributions to marketing funds and information systems and related services used in restaurant operations, including our point-of-sale system, online and other technology-based ordering platforms.

Generally, we evaluate performance and allocate resources based on operating income. Certain administrative and capital costs are allocated to segments based upon predetermined rates or estimated resource usage. We account for intercompany sales and transfers as if the sales or transfers were to third parties and eliminate the activity 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.

The following tables present our segment information.

(In thousands)	Three Months Ended		Nine Months Ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
Revenues:				
Domestic Company-owned restaurants	\$ 177,195	\$ 166,050	\$ 532,841	\$ 536,226
North America franchising	35,041	33,712	105,824	102,897
North America commissaries	204,887	216,115	624,433	645,177
International	48,481	37,707	128,539	119,696
All others	57,208	56,928	172,754	171,873
Total revenues	\$ 522,812	\$ 510,512	\$ 1,564,391	\$ 1,575,869
Intersegment revenues:				
North America franchising	\$ 1,040	\$ 996	\$ 3,117	\$ 3,097
North America commissaries	51,237	51,330	154,640	162,591
All others	16,180	15,562	49,363	50,830
Total intersegment revenues	\$ 68,457	\$ 67,888	\$ 207,120	\$ 216,518
Operating income:				
Domestic Company-owned restaurants ^(a)	\$ 6,147	\$ 3,667	\$ 19,438	\$ 11,579
North America franchising	32,234	31,464	97,745	96,225
North America commissaries	10,691	8,425	31,818	28,717
International ^(b)	2,270	1,136	13,265	12,897
All others	2,379	2,037	6,879	7,943
Unallocated corporate expenses ^(c)	(20,792)	(27,684)	(63,859)	(84,138)
Elimination of intersegment (profits) losses	(1,061)	416	(710)	(423)
Total operating income	\$ 31,868	\$ 19,461	\$ 104,576	\$ 72,800
Property and equipment, net:				
Domestic Company-owned restaurants	\$ 249,211			
North America commissaries	157,056			
International	29,403			
All others	142,905			
Unallocated corporate assets	251,104			
Accumulated depreciation and amortization	(561,592)			
Total property and equipment, net	\$ 268,087			

^(a) The nine months ended September 25, 2022 includes a one-time, non-cash charge of \$8.4 million associated with the refranchising of the Company's ownership interest in a 90-restaurant joint venture, recorded as Refranchising and impairment loss. See "Note 10. Divestitures" for additional information.

^(b) The three and nine months ended September 24, 2023 includes \$1.2 million and \$2.5 million of costs associated with repositioning the UK portfolio as well as transaction costs related to the acquisition of stores from franchisees. The three and nine months ended September 25, 2022 includes a charge of \$4.1 million related to the reserve of certain accounts and notes receivable and operating lease right-of-use assets impairment associated with the termination of a significant franchise in the United Kingdom. The three and nine months ended September 25, 2022 also includes \$3.5 million of one-time, non-cash reserves for certain accounts receivable and impairments of reacquired franchise rights. See "Notes 2. Significant Accounting Policies", "10. Divestitures" and "12. Acquisitions" for additional information.

^(c) The nine months ended September 24, 2023 includes \$2.0 million of severance and related costs associated with the transition of certain executives. The three and nine months ended September 24, 2023 includes \$0.6 million for certain legal settlements. Unallocated corporate expenses includes \$10.0 million for certain legal settlements for the three months ended September 25, 2022. The nine months ended September 25, 2022 includes \$13.9 million of one-time, non-cash reserves of certain notes receivable, \$15.0 million for certain legal settlements, and \$1.5 million of advisory fees and severance costs associated with the transition of certain

executives. See “Notes 2. Significant Accounting Policies” and “9. Litigation, Commitments and Contingencies” for additional information.

Disaggregation of Revenue

In the following tables, revenues are disaggregated by major product/service line. The tables also include a reconciliation of the disaggregated revenues by the reportable segment (in thousands):

Major Products/Services Lines	Reportable Segments					
	Three Months Ended September 24, 2023					
	Domestic Company-owned restaurants	North America franchising	North America commissaries	International	All others	Total
Company-owned restaurant sales	\$ 177,195	\$ —	\$ —	\$ 14,013	\$ —	\$ 191,208
Franchise royalties and fees	—	36,081	—	12,219	—	48,300
Commissary sales	—	—	256,124	16,695	—	272,819
Other revenues	—	—	—	5,554	73,388	78,942
Eliminations	—	(1,040)	(51,237)	—	(16,180)	(68,457)
Total segment revenues	177,195	35,041	204,887	48,481	57,208	522,812
International other revenues ^(a)	—	—	—	(5,554)	5,554	—
Total revenues	\$ 177,195	\$ 35,041	\$ 204,887	\$ 42,927	\$ 62,762	\$ 522,812

Major Products/Services Lines	Reportable Segments					
	Three Months Ended September 25, 2022					
	Domestic Company-owned restaurants	North America franchising	North America commissaries	International	All others	Total
Company-owned restaurant sales	\$ 166,050	\$ —	\$ —	\$ —	\$ —	\$ 166,050
Franchise royalties and fees	—	34,708	—	11,619	—	46,327
Commissary sales	—	—	267,445	19,116	—	286,561
Other revenues	—	—	—	6,972	72,490	79,462
Eliminations	—	(996)	(51,330)	—	(15,562)	(67,888)
Total segment revenues	166,050	33,712	216,115	37,707	56,928	510,512
International other revenues ^(a)	—	—	—	(6,972)	6,972	—
Total revenues	\$ 166,050	\$ 33,712	\$ 216,115	\$ 30,735	\$ 63,900	\$ 510,512

Major Products/Services Lines	Reportable Segments					
	Nine Months Ended September 24, 2023					
	Domestic Company-owned restaurants	North America franchising	North America commissaries	International	All others	Total
Company-owned restaurant sales	\$ 532,841	\$ —	\$ —	\$ 17,031	\$ —	\$ 549,872
Franchise royalties and fees	—	108,941	—	36,906	—	145,847
Commissary sales	—	—	779,073	55,061	—	834,134
Other revenues	—	—	—	19,541	222,117	241,658
Eliminations	—	(3,117)	(154,640)	—	(49,363)	(207,120)
Total segment revenues	532,841	105,824	624,433	128,539	172,754	1,564,391
International other revenues ^(a)	—	—	—	(19,541)	19,541	—
Total revenues	\$ 532,841	\$ 105,824	\$ 624,433	\$ 108,998	\$ 192,295	\$ 1,564,391

Major Products/Services Lines	Reportable Segments					
	Nine Months Ended September 25, 2022					
	Domestic Company-owned restaurants	North America franchising	North America commissaries	International	All others	Total
Company-owned restaurant sales	\$ 536,226	\$ —	\$ —	\$ —	\$ —	\$ 536,226
Franchise royalties and fees	—	105,994	—	37,097	—	143,091
Commissary sales	—	—	807,768	60,213	—	867,981
Other revenues	—	—	—	22,386	222,703	245,089
Eliminations	—	(3,097)	(162,591)	—	(50,830)	(216,518)
Total segment revenues	536,226	102,897	645,177	119,696	171,873	1,575,869
International other revenues ^(a)	—	—	—	(22,386)	22,386	—
Total revenues	\$ 536,226	\$ 102,897	\$ 645,177	\$ 97,310	\$ 194,259	\$ 1,575,869

^(a) Other revenues as reported in the Condensed Consolidated Statements of Operations include \$5.6 million and \$19.5 million of revenues for the three and nine months ended September 24, 2023, respectively, and \$7.0 million and \$22.4 million for the three and nine months ended September 25, 2022, respectively, that are part of the International reporting segment. These amounts include marketing fund contributions and sublease rental income from international franchisees in the United Kingdom that provide no significant contribution to operating income but must be reported on a gross basis under accounting requirements. The related expenses for these Other revenues are reported in Other expenses in the Condensed Consolidated Statements of Operations.

12. Acquisitions

UK Franchisee Acquisitions

As part of our investment to reposition our UK business, we have acquired a portfolio of Company-owned restaurants in the UK market that were previously franchised. Our control and ownership of this portfolio enables us to implement operating model enhancements in the restaurants including revenue management capabilities, product and technological innovation and operational efficiencies to improve sales and restaurant-level profitability, and to drive initiatives for future growth and profitability in the Company's largest market outside of North America. As part of this investment, the Company acquired 91 Papa Johns restaurants previously operated by the M25 division of Drake Food Service International in the United Kingdom on June 2, 2023 for total consideration of approximately \$13.7 million. The Company acquired an additional 27 Papa Johns restaurants in the United Kingdom during the three months ended September 24, 2023 for total consideration of approximately \$1.5 million. Collectively, we refer to these acquisitions as the "UK franchisee acquisitions."

During the three and nine months ended September 24, 2023, the Company incurred \$0.8 million and \$2.1 million, respectively, of acquisition and transition costs related to the UK franchisee acquisitions. These expenses were recorded within General and administrative expenses and within the International segment in the Condensed Consolidated Statements of Operations. The results of operations of the acquired restaurants after their respective acquisition dates are included within the International segment in the Company's Condensed Consolidated Statements of Operations. The impact of the acquisitions was not material to the Company's Condensed Consolidated Financial Statements.

The UK franchisee acquisitions have been accounted for as business combinations. As such, the Company concluded that the consideration was measured at fair value and has recorded the preliminary estimated fair value of the assets acquired and liabilities assumed as of the respective acquisition dates. Total consideration was approximately \$15.2 million, of which \$13.7 million was pre-existing accounts receivable and notes receivable and was classified as a noncash investing transaction within the Condensed Consolidated Statements of Cash Flows during the nine months ended September 24, 2023. Assets acquired include approximately \$10.6 million of property and equipment, net, \$0.3 million of inventories and other assets and \$4.3 million of goodwill.

The total goodwill recognized in conjunction with the UK franchisee acquisitions, all of which is expected to be deductible for tax purposes, has been assigned to the International operating segment. The purchase price exceeded the fair value of the net assets acquired, which resulted in the recognition of goodwill, primarily due to synergies created from expected future benefits stemming from implementation of the Company's operational capabilities and further control of the Company's brand name in our most prominent international market. Goodwill also includes certain other benefits that do not qualify for recognition as intangible assets, such as an assembled workforce.

Domestic Acquisitions

During the nine months ended September 24, 2023, we acquired ten Domestic restaurants for a total purchase price of \$4.1 million, which was classified as cash used in investing activities within the Condensed Consolidated Statements of Cash Flows. The impact of the acquisitions was not material to the Company's Condensed Consolidated Financial Statements. Acquired assets recorded within the Condensed Consolidated Balance Sheets as of September 24, 2023 primarily included store property and equipment of \$1.4 million, reacquired franchise rights of \$1.5 million, and goodwill of \$1.1 million.

The amounts recorded as a result of our preliminary acquisition accounting for the UK franchisee and Domestic acquisitions are subject to change and further refinement. The Company is still assessing the condition and finalizing the fair value of acquired property and equipment and intangible assets as well as gathering information regarding leases and other assets. There were no measurement period adjustments recorded during the three months ended September 24, 2023, and the Company expects these items to be finalized prior to the one-year anniversary date of the respective acquisitions.

The following summarizes changes in the Company's goodwill by reportable segment (in thousands):

	Domestic Company- owned restaurants	International	All others	Total
Balance at December 25, 2022	\$ 55,507	\$ 14,673	\$ 436	\$ 70,616
Acquisitions ^(a)	1,102	4,274	—	5,376
Foreign currency adjustments	—	19	—	19
Balance at September 24, 2023	<u>\$ 56,609</u>	<u>\$ 18,966</u>	<u>\$ 436</u>	<u>\$ 76,011</u>

^(a) Goodwill from acquisitions during the nine months ended September 24, 2023 include \$4.3 million from the UK franchisee acquisitions described above as well as \$1.1 million related to the Domestic store acquisitions described above.

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

Overview

Papa John’s International, Inc. (referred to as the “Company,” “Papa John’s,” “Papa Johns” or in the first-person notations of “we,” “us” and “our”) operates and franchises pizza delivery and carryout restaurants and, in certain international markets, dine-in and delivery restaurants under the trademark “Papa John’s.” Papa John’s began operations in 1984. As of September 24, 2023, there were 5,825 Papa John’s restaurants in operation, consisting of 644 Company-owned and 5,181 franchised restaurants operating in 48 countries and territories. Our revenues are derived from retail sales of pizza and other food and beverage products to the general public by Company-owned restaurants, franchise royalties, and sales of franchise and development rights. Additionally, we derive revenues from sales to franchisees of various items including food and paper products from our Domestic Quality Control Centers (“QC Centers”), operation of our International QC Center in the (United Kingdom (“UK”), contributions received by Papa John’s Marketing Fund (“PJMF”) which is our national marketing fund, printing and promotional items and information systems equipment, and software and related services. We believe that in addition to supporting both Company and franchised profitability and growth, these activities contribute to product quality and consistency throughout the Papa John’s system.

In discussions of our business, “Domestic” is defined as within the contiguous United States, “North America” includes Canada, and “International” includes the rest of the world other than North America.

Recent Developments and Trends

The Company has focused on executing strategic priorities and building a foundation for long-term success, while navigating a challenging macroeconomic environment. Our progress and significant transactions during the third quarter of 2023 are described below.

Growth Strategy. The Company delivered its seventeenth consecutive quarter of Global system-wide restaurant sales growth and continues to expand both domestically and internationally. This growth is fueled by continued product innovation and our development strategy.

Our expanding development pipeline is a key long-term growth driver as we believe there is significant opportunity to offer our differentiated, premium position to more customers globally and domestically. In the third quarter of 2023, we opened 45 net new restaurants for global unit growth of 0.8%. We expect global development to be between 245 and 260 net new units for fiscal 2023, lower than previous guidance of 270 to 310 due to the dynamic geopolitical environment.

Operational Initiatives. We launched the “Back to BETTER” initiative in late 2022, which focuses on improving operational execution at the store level in order to drive better financial performance. We have aligned the organization on improving out-the-door times, overall customer satisfaction, increasing orders and optimization. Running BETTER operations is intended to increase customer and employee satisfaction, as well as drive customer loyalty. We are seeing improvement in our restaurant level operating margins, and we experienced a 3.8% increase in comparable sales for Domestic Company-owned restaurants for the first nine months of 2023.

UK Market. Over the past two years, the UK restaurants have experienced declines in sales. As we have navigated a dynamic economic environment and worked towards repositioning the market, we established a Company-owned restaurant portfolio in the UK during the second quarter. We acquired an additional 27 Papa Johns restaurants in the third quarter, bringing the total number of Company-owned restaurants in the UK market to 118. The Company-owned restaurants have incurred operating losses in the third quarter as we continue to evaluate current operational capabilities and implement improvements in revenue management capabilities, product and technological innovation and operational efficiencies to improve sales and restaurant-level profitability over the longer term. We continue to focus on rationalizing our portfolio to better position the UK market for success, which could include strategic store closures in the future.

Global Restaurant Sales and Unit Information

“Comparable sales” represents sales for the same base of restaurants for the same fiscal periods. “Comparable sales growth (decline)” represents the change in year-over-year comparable sales. “Global system-wide restaurant sales” represents total restaurant sales for all Company-owned and franchised restaurants open during the comparable periods, and “Global system-wide restaurant sales growth (decline)” represents the change in global system-wide restaurant sales year-over-year. Comparable sales, Comparable sales growth (decline), Global system-wide restaurant sales and Global system-wide sales growth (decline) exclude franchisees for which we suspended corporate support.

“Equivalent units” 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.

We believe Domestic Company-owned, North America franchised, and International Comparable sales growth (decline) and Global system-wide restaurant sales information is useful in analyzing our results since our franchisees pay royalties and marketing fund contributions that are based on a percentage of franchise sales. Comparable sales and Global system-wide restaurant sales results for restaurants operating outside of the United States are reported on a constant dollar basis, which excludes the impact of foreign currency translation. Franchise sales also generate commissary revenue in the United States and in certain international markets. Comparable sales growth (decline) and Global system-wide restaurant sales information is also useful for comparison to industry trends and evaluating the strength of our brand. Management believes the presentation of Global system-wide restaurant sales growth, excluding the impact of foreign currency, provides investors with useful information regarding underlying sales trends and the impact of new unit growth without being impacted by swings in the external factor of foreign currency. Franchise restaurant sales are not included in the Company’s revenues.

	Three Months Ended		Nine Months Ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
<i>Amounts below exclude the impact of foreign currency</i>				
Comparable sales growth (decline):				
Domestic Company-owned restaurants	5.9%	(2.2)%	3.8%	(1.6)%
North America franchised restaurants	2.2%	(0.5)%	(0.4)%	1.2%
North America restaurants	2.9%	(0.8)%	0.4%	0.6%
International restaurants	(0.3)%	(10.1)%	(2.3)%	(5.8)%
Total comparable sales growth (decline)	2.2%	(3.4)%	(0.2)%	(1.1)%
System-wide restaurant sales growth (decline):				
Domestic Company-owned restaurants	6.7%	0.5%	4.7%	0.8%
North America franchised restaurants	3.2%	0.9%	1.1%	2.5%
North America restaurants	3.9%	0.8%	1.8%	2.2%
International restaurants ^(a)	8.8%	(0.4)%	6.8%	5.3%
Total global system-wide restaurant sales growth (decline)	5.1%	0.5%	3.0%	2.9%

^(a) The nine months ended September 25, 2022 exclude the impact of franchisee suspended restaurants.

Restaurant Progression

	Three Months Ended		Nine Months Ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
North America Company-owned:				
Beginning of period	521	519	522	600
Opened	—	1	—	9
Closed	—	—	(2)	—
Acquired	9	1	10	2
Refranchised	(4)	—	(4)	(90)
End of period	526	521	526	521
North America franchised:				
Beginning of period	2,868	2,837	2,854	2,739
Opened	15	17	44	49
Closed	(7)	(16)	(21)	(39)
Sold	(9)	(1)	(10)	(2)
Refranchised	4	—	4	90
End of period	2,871	2,837	2,871	2,837
International Company-owned				
Beginning of period	91	—	—	—
Acquired	27	—	118	—
End of period	118	—	118	—
International franchised:				
Beginning of period	2,300	2,215	2,330	2,311
Opened	55	48	153	175
Closed	(18)	(32)	(55)	(67)
Sold	(27)	—	(118)	—
Suspended ^(a)	—	—	—	(188)
End of period	2,310	2,231	2,310	2,231
Total restaurants – end of period	5,825	5,589	5,825	5,589
Trailing four quarters net store growth ^(b)	236	208		

^(a) As previously disclosed, the Company has suspended corporate support for all franchised restaurants located in Russia. These suspended restaurants are excluded from net unit growth calculations.

^(b) Excludes suspended restaurants.

Results of Operations

Revenues

The following table sets forth the various components of Revenues from the Condensed Consolidated Statements of Operations.

<i>(Dollars in thousands)</i>	Three Months Ended		Nine Months Ended		Increase (Decrease)	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022	QTD	YTD
Revenues:						
Domestic Company-owned restaurant sales	\$ 177,195	\$ 166,050	\$ 532,841	\$ 536,226	6.7 %	(0.6)%
North America franchise royalties and fees	35,041	33,712	105,824	102,897	3.9 %	2.8 %
North America commissary revenues	204,887	216,115	624,433	645,177	(5.2)%	(3.2)%
International revenues	42,927	30,735	108,998	97,310	39.7 %	12.0 %
Other revenues	62,762	63,900	192,295	194,259	(1.8)%	(1.0)%
Total revenues	\$ 522,812	\$ 510,512	\$ 1,564,391	\$ 1,575,869	2.4 %	(0.7)%

The discussion below references impacts to the comparable results from the acquisition of 118 formerly franchised restaurants in the UK in the second and third quarters of 2023 (the “UK franchisee acquisitions”) and from the refranchising of 90 restaurants during the second quarter of 2022 (the “2022 refranchising”). When comparing the operating results of 2023 with 2022, note that the UK franchisee acquisitions resulted in 118 International restaurants changing from franchised to Company-owned restaurants in the second and third quarters of 2023. Additionally, the 2022 refranchising resulted in 90 restaurants moving from Domestic Company-owned restaurants into North America franchising, effective as of the second quarter of 2022. These transactions impact the comparability of operating results between the periods. See “Note 12. Acquisitions” and “Note 10. Divestitures” of the “Notes to Condensed Consolidated Financial Statements” for additional information on these transactions.

Total revenues increased \$12.3 million or 2.4% to \$522.8 million for the three months ended September 24, 2023 and decreased \$11.5 million or 0.7% to \$1.6 billion for the nine months ended September 24, 2023, as compared to each prior year comparable period. Changes in total revenues are impacted by the transactions noted above; see further discussion below.

Domestic Company-owned restaurant sales increased \$11.1 million, or 6.7% for the three months ended September 24, 2023 and decreased \$3.4 million, or 0.6% for the nine months ended September 24, 2023, as compared to the prior year comparable periods. Due to the 2022 refranchising, Domestic Company-owned restaurant sales decreased by \$27.3 million for the nine months ended September 25, 2022. Excluding the impact of the 2022 refranchising, Domestic Company-owned restaurant sales would have increased \$24.0 million, or 4.7%, for the nine months ended September 24, 2023. The increases of \$11.1 million and \$24.0 million were primarily due to comparable sales growth of 5.9% and 3.8% for the three and nine months ended September 24, 2023, respectively.

North America franchise royalties and fees increased \$1.3 million, or 3.9% and increased \$2.9 million or 2.8% for the three and nine months ended September 24, 2023, respectively, as compared to each prior year comparable period. The impact of the 2022 refranchising for North America franchise royalties and fees was \$1.4 million for the nine months ended September 25, 2022. Excluding the 2022 refranchising, North America franchise royalties increased \$1.6 million or 1.5%, for the nine months ended September 24, 2023. Comparable sales for the three and nine months ended September 24, 2023 grew 2.2% and declined 0.4%, respectively. Equivalent units declined 1.7% and 0.6% for the three and nine months ended September 24, 2023, respectively, excluding the impact of the 2022 refranchising.

North America franchise restaurant sales increased 3.1% to \$749.8 million for the three months ended September 24, 2023 and increased 2.2% to \$2.3 billion for the nine months ended September 24, 2023 compared to the prior year comparable periods. Excluding the impact of the 2022 refranchising, North America franchise restaurant sales increased 0.9% to \$2.3 billion for the nine months ended September 24, 2023 compared to the prior year comparable period. North America

franchise restaurant sales are not included in Company revenues; however, our North America franchise royalties are derived from these sales.

North America commissary revenues decreased \$11.2 million, or 5.2% for the three months ended September 24, 2023 and decreased \$20.7 million, or 3.2% for the nine months ended September 24, 2023, compared to the prior year comparable periods. Excluding the impact of the 2022 refranchising, North America commissary revenues decreased \$28.9 million, or 4.4% for the nine months ended September 24, 2023. The declines in North America commissary revenues were primarily a result of declining commodity prices in 2023 and lower volumes during the first half of 2023, partially offset by higher volumes during the three months ended September 24, 2023.

International revenues increased \$12.2 million, or 39.7% for the three months ended September 24, 2023 and increased \$11.7 million, or 12.0% for the nine months ended September 24, 2023, compared with the respective prior year periods. International revenues included \$14.0 million and \$17.0 million for the three and nine months ended September 24, 2023, respectively, attributable to the acquired UK restaurants, and included \$5.0 million and \$7.0 million for the three and nine months ended September 25, 2022, respectively, related to franchise royalty and food distribution revenue generated from the UK formerly franchised restaurants. Excluding the impact of the UK franchisee acquisitions, revenues would have increased \$3.2 million, or 12.5%, and increased \$1.6 million, or 1.8%, for the three and nine months ended September 24, 2023, respectively. International revenues benefited from new unit development in 2023 and positive foreign currency fluctuations, partially offset by comparable sales declines of 0.3% and 2.3% for the three and nine months ended September 24, 2023.

International franchise restaurant sales increased \$28.8 million to \$289.2 million and increased \$36.8 million to \$880.2 million for the three and nine months ended September 24, 2023, respectively. Excluding the impact of the UK franchisee acquisitions, the previously disclosed suspended restaurants, and foreign currency fluctuations, International franchise restaurant sales increased 9.5% and 7.0% for the three and nine months ended September 24, 2023, respectively. International franchise restaurant sales are not included in Company revenues; however, our international royalty revenue is derived from these sales.

Other revenues, which primarily includes our national marketing funds, online and mobile ordering business and our wholly-owned print and promotions subsidiary, decreased \$1.1 million, or 1.8%, and decreased \$2.0 million, or 1.0%, for the three and nine months ended September 24, 2023, respectively, compared to the prior year comparable periods. The impacts of the UK franchisee acquisitions decreased Other revenues by \$1.3 million and \$1.8 million for the three and nine months ended September 24, 2023, respectively. Excluding the impact of the UK franchisee acquisitions, Other revenues would have increased \$0.2 million and decreased \$0.1 million for the three and nine months ended September 24, 2023.

Costs and Expenses

The following table sets forth the various components of Costs and expenses from the Condensed Consolidated Statements of Operations, expressed as a percentage of the associated revenue component.

(Dollars in thousands)	Three Months Ended				
	September 24, 2023	% of Related Revenues	September 25, 2022	% of Related Revenues	Increase (Decrease) in % of Revenues
Costs and expenses:					
Operating costs (excluding depreciation and amortization shown separately below):					
Domestic Company-owned restaurant expenses	\$ 145,433	82.1 %	\$ 138,299	83.3 %	(1.2)%
North America commissary expenses	189,551	92.5 %	203,129	94.0 %	(1.5)%
International expenses	29,796	69.4 %	18,196	59.2 %	10.2 %
Other expenses	57,587	91.8 %	59,249	92.7 %	(0.9)%
General and administrative expenses	52,173	10.0 %	57,935	11.3 %	(1.3)%
Depreciation and amortization	16,404	3.1 %	13,338	2.6 %	0.5 %
Total costs and expenses	490,944	93.9 %	490,146	96.0 %	(2.1)%
Refranchising and impairment loss	—	— %	(905)	(0.2)%	0.2 %
Operating income	\$ 31,868	6.1 %	\$ 19,461	3.8 %	2.3 %

(Dollars in thousands)	Nine Months Ended				
	September 24, 2023	% of Related Revenues	September 25, 2022	% of Related Revenues	Increase (Decrease) in % of Revenues
Costs and expenses:					
Operating costs (excluding depreciation and amortization shown separately below):					
Domestic Company-owned restaurant expenses	\$ 436,922	82.0 %	\$ 441,986	82.4 %	(0.4)%
North America commissary expenses	576,434	92.3 %	604,689	93.7 %	(1.4)%
International expenses	67,542	62.0 %	57,346	58.9 %	3.1 %
Other expenses	177,661	92.4 %	180,452	92.9 %	(0.5)%
General and administrative expenses	154,441	9.9 %	168,519	10.7 %	(0.8)%
Depreciation and amortization	46,815	3.0 %	38,012	2.4 %	0.6 %
Total costs and expenses	1,459,815	93.3 %	1,491,004	94.6 %	(1.3)%
Refranchising and impairment loss	—	— %	(12,065)	(0.8)%	0.8 %
Operating income	\$ 104,576	6.7 %	\$ 72,800	4.6 %	2.1 %

Total costs and expenses were \$490.9 million or 93.9% of total revenues for the three months ended September 24, 2023, as compared to \$490.1 million or 96.0% of total revenues for the prior year comparable period. For the nine months ended September 24, 2023, total costs and expenses were \$1.5 billion or 93.3% of total revenues, as compared to \$1.5 billion, or 94.6% of total revenues for the prior year comparable period. The changes in total costs and expenses, as percentages of revenues, were primarily due to the following:

Domestic Company-owned restaurant expenses were \$145.4 million or 82.1% of related revenues for the three months ended September 24, 2023, compared to expenses of \$138.3 million or 83.3% of related revenues for the prior year period. For the nine months ended September 24, 2023 Domestic Company-owned restaurant expenses were \$436.9 million or 82.0% of related revenues compared to \$442.0 million or 82.4% of related revenues for the prior year comparable period. The quarter and year to date decreases of 1.2% and 0.4%, respectively, were primarily due to decreases in certain commodity expenses.

North America commissary expenses were \$189.6 million or 92.5% of related revenues for the three months ended September 24, 2023 compared to expenses of \$203.1 million or 94.0% of related revenues for the prior year comparable period. For the nine months ended September 24, 2023 North America commissary expenses were \$576.4 million, or 92.3% of related revenues compared to \$604.7 million or 93.7% of related revenues for the prior year period. The expenses, as a percentage of related revenues, decreased 1.5% and 1.4% for the three and nine months ended September 24, 2023, respectively, primarily due to declining commodity prices and delivery costs in 2023 and lower volumes during the first half of 2023.

International expenses were \$29.8 million or 69.4% of related revenues for the three months ended September 24, 2023 as compared to \$18.2 million, or 59.2% of related revenues for the prior year comparable period. For the nine months ended September 24, 2023, International expenses were \$67.5 million, or 62.0% of related revenues, as compared to \$57.3 million, or 58.9% of related revenues for the prior year comparable period. International expenses increased in 2023 as a result of the UK franchisee acquisitions, which added operating costs of 118 Company-owned restaurants, partially offset by declining commodity prices at our International commissary. Expenses in 2023 also include repositioning costs and transaction costs related to the UK franchisee acquisitions of approximately \$1.2 million and \$2.5 million for the three and nine months ended September 24, 2023, respectively.

Other expenses were \$57.6 million or 91.8% of related revenues for the three months ended September 24, 2023 as compared to \$59.2 million or 92.7% of related revenues for the prior year comparable period. For the nine months ended September 24, 2023, Other expenses were \$177.7 million, or 92.4% of related revenues, compared to \$180.5 million, or 92.9% of related revenues for the prior year comparable period.

General and Administrative Expenses

General and administrative (“G&A”) expenses were \$52.2 million, or 10.0% of revenues for the three months ended September 24, 2023, compared to \$57.9 million, or 11.3% of revenues for the prior year period. For the nine months ended September 24, 2023, G&A expenses were \$154.4 million or 9.9% of revenues, compared to \$168.5 million or 10.7% of revenues for the prior year comparable period. G&A expenses consisted of the following:

	Three Months Ended		Nine Months Ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
<i>(Dollars in thousands)</i>				
Administrative expenses ^(a)	\$ 49,034	\$ 44,391	\$ 147,271	\$ 133,370
UK repositioning and acquisition-related costs ^(b)	1,193	—	2,501	—
Legal settlement accruals ^(c)	577	10,000	577	15,000
Specific accounts receivable and notes receivable provisions ^(d)	—	3,227	—	17,863
Other costs ^(e)	—	—	2,017	1,507
Other general expenses, net	1,369	317	2,075	779
General and administrative expenses	\$ 52,173	\$ 57,935	\$ 154,441	\$ 168,519

^(a) For the three and nine months ended September 24, 2023, administrative expenses increased \$4.6 million and \$13.9 million primarily due to higher incentive compensation and benefit costs. The nine month period also included higher costs from our franchise operating conference in the second quarter of 2023.

^(b) Represents costs associated with repositioning the UK portfolio as well as transaction costs related to acquisition of stores from franchisees.

^(c) Represents accruals for certain legal settlements, recorded in General and administrative expenses. See “Note 9. Litigation, Commitments and Contingencies” for further information.

^(d) Represents a one-time, non-cash provision of \$14.6 million on accounts receivable and notes receivable in connection with the conflict in Ukraine and related government actions in the first quarter of 2022 and a \$3.2 million charge recorded in the third quarter of 2022 associated with the termination of a significant franchisee in the United Kingdom related to the reserve of certain accounts and notes receivable.

^(e) Represents severance and related costs associated with the transition of certain executives incurred during the nine months ended September 24, 2023 and nine months ended September 25, 2022.

Depreciation and Amortization

Depreciation and amortization expense was \$16.4 million or 3.1% of revenues for the three months ended September 24, 2023, compared to \$13.3 million or 2.6% of revenues for the prior year comparable period. For the nine months ended September 24, 2023, Depreciation and amortization expense was \$46.8 million, or 3.0% of revenues compared to \$38.0 million, or 2.4% of revenues, for the prior year comparable period. The increases were primarily due to higher depreciation expense related to our investments in technology support initiatives.

Refranchising and Impairment Loss

There was no Refranchising and impairment loss during the nine months ended September 24, 2023. Refranchising and impairment loss was \$12.1 million for the nine months ended September 25, 2022, consisting of an \$8.4 million loss on the 2022 refranchising and an impairment loss of \$2.8 million for reacquired franchise rights due to the financial and operational impact of the conflict in Ukraine and government actions taken in response to that conflict. See “Note 10. Divestitures” of “Notes to Condensed Consolidated Financial Statements” for additional information on these items.

Operating Income by Segment

Operating income is summarized in the following table on a reporting segment basis. Adjusted operating income, a non-GAAP measure, is also presented below. See “Non-GAAP Measures” for a reconciliation to the most comparable U.S. GAAP measure. We believe this non-GAAP measure is important for comparability purposes.

(In thousands)	Three Months Ended September 24, 2023			Three Months Ended September 25, 2022			Reported Increase (Decrease)	Adjusted Increase (Decrease)
	Reported	Adjustments ^(a)	Adjusted	Reported	Adjustments ^(a)	Adjusted		
Domestic Company-owned restaurants	\$ 6,147	\$ —	\$ 6,147	\$ 3,667	\$ —	\$ 3,667	\$ 2,480	\$ 2,480
North America franchising	32,234	—	32,234	31,464	—	31,464	770	770
North America commissaries	10,691	—	10,691	8,425	—	8,425	2,266	2,266
International	2,270	1,193	3,463	1,136	4,132	5,268	1,134	(1,805)
All others	2,379	—	2,379	2,037	—	2,037	342	342
Unallocated corporate expenses	(20,792)	577	(20,215)	(27,684)	10,000	(17,684)	6,892	(2,531)
Elimination of intersegment (profits) losses	(1,061)	—	(1,061)	416	—	416	(1,477)	(1,477)
Total	\$ 31,868	\$ 1,770	\$ 33,638	\$ 19,461	\$ 14,132	\$ 33,593	\$ 12,407	\$ 45

(In thousands)	Nine Months Ended September 24, 2023			Nine Months Ended September 25, 2022			Reported Increase (Decrease)	Adjusted Increase (Decrease)
	Reported	Adjustments ^(a)	Adjusted	Reported	Adjustments ^(a)	Adjusted		
Domestic Company-owned restaurants	\$ 19,438	\$ —	\$ 19,438	\$ 11,579	\$ 8,412	\$ 19,991	\$ 7,859	\$ (553)
North America franchising	97,745	—	97,745	96,225	—	96,225	1,520	1,520
North America commissaries	31,818	—	31,818	28,717	—	28,717	3,101	3,101
International	13,265	2,501	15,766	12,897	7,647	20,544	368	(4,778)
All others	6,879	—	6,879	7,943	—	7,943	(1,064)	(1,064)
Unallocated corporate expenses	(63,859)	2,594	(61,265)	(84,138)	30,376	(53,762)	20,279	(7,503)
Elimination of intersegment (profits) losses	(710)	—	(710)	(423)	—	(423)	(287)	(287)
Total	\$ 104,576	\$ 5,095	\$ 109,671	\$ 72,800	\$ 46,435	\$ 119,235	\$ 31,776	\$ (9,564)

^(a) See “Non-GAAP Measures” below for a detail of the adjustments in each period and for a reconciliation to the most comparable U.S. GAAP measure.

Operating income was \$31.9 million and \$104.6 million for the three and nine months ended September 24, 2023, respectively, compared to \$19.5 million and \$72.8 million for the prior year comparable periods, increases of \$12.4 million and \$31.8 million, respectively. Adjusted operating income was \$33.6 million and \$109.7 million for the three and nine months ended September 24, 2023, respectively, compared to \$33.6 million and \$119.2 million for the prior year comparable periods, which was flat and a decrease of \$9.6 million, respectively. The fluctuations in adjusted operating income in 2023 compared to 2022 were primarily due to the following:

- Domestic Company-owned restaurants increased \$2.5 million and decreased \$0.6 million for the three and nine months ended September 24, 2023, respectively. The three month period increase of \$2.5 million was primarily due to higher revenues from comparable sales growth of 5.9% and improved results from lower food costs, partially offset by higher depreciation and utility expenses. The impact of the 2022 refranchising decreased the

segment's operating income by \$2.3 million for the nine months ended September 25, 2022. Excluding the impact of the 2022 refranchising, the nine month period would have increased \$1.7 million primarily due to comparable sales growth of 3.8%, partially offset by higher compensation and benefit costs.

- North America franchising increased \$0.8 million for the three months ended September 24, 2023 primarily due to comparable sales growth of 2.2%, partially offset by a 1.7% decrease in equivalent units. For the nine months ended September 24, 2023, North America franchising increased \$1.5 million primarily due to the impact of the 2022 refranchising.
- North America commissaries increased \$2.3 million and \$3.1 million for the three and nine months ended September 24, 2023, respectively. The three month period increase of \$2.3 million was primarily due to lower commodity and labor costs. The impact of the 2022 refranchising decreased the segment's operating income by \$0.3 million for the nine months ended September 25, 2022. Excluding the impact of the 2022 refranchising for the nine month period, North America commissaries would have increased \$2.8 million primarily due to lower commodity costs and delivery costs throughout 2023 and lower volumes during the first half of 2023.
- International decreased \$1.8 million and \$4.8 million for the three and nine months ended September 24, 2023, respectively. The decreases in adjusted operating income were primarily driven by operating losses attributable to the recently acquired UK Company-owned restaurants as well as comparable sales declines of 0.3% and 2.3% for the respective periods. These decreases were partially offset by favorable commissary results from lower commodity costs.
- All Others, which primarily includes our online and mobile ordering business and our marketing funds, increased \$0.3 million and decreased \$1.1 million for the three and nine months ended September 24, 2023, respectively, compared to the prior year comparable periods. The \$1.1 million decrease for the nine months ended September 24, 2023 was primarily due to lower results from higher depreciation expense related to our investments in technology support initiatives.
- Unallocated corporate expenses increased \$2.5 million and \$7.5 million for the three and nine months ended September 24, 2023, respectively. The increases are primarily due to higher incentive compensation and benefit costs and higher depreciation expense related to our investments in technology support initiatives. The nine month period also included increases from higher insurance expense and costs for our franchise operating conference in the second quarter of 2023.

Items Below Operating Income

The following table sets forth the various items below Operating income from the Condensed Consolidated Statements of Operations:

<i>(In thousands, except per share amounts)</i>	Three Months Ended		Nine Months Ended		Increase (Decrease)	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022	QTD	YTD
Operating income	\$ 31,868	\$ 19,461	\$ 104,576	\$ 72,800	\$ 12,407	\$ 31,776
Net interest expense	(11,378)	(7,623)	(31,674)	(17,967)	(3,755)	(13,707)
Income before income taxes	20,490	11,838	72,902	54,833	8,652	18,069
Income tax expense	4,539	3,374	16,546	9,212	1,165	7,334
Net income before attribution to noncontrolling interests	15,951	8,464	56,356	45,621	7,487	10,735
Net income attributable to noncontrolling interests	(90)	(133)	(351)	(1,363)	43	1,012
Net income attributable to the Company	\$ 15,861	\$ 8,331	\$ 56,005	\$ 44,258	\$ 7,530	\$ 11,747

Calculation of net income for earnings per share:

Net income attributable to the Company	\$ 15,861	\$ 8,331	\$ 56,005	\$ 44,258	\$ 7,530	\$ 11,747
Dividends paid to participating securities	—	(86)	—	(228)	86	228
Net income attributable to participating securities	—	—	—	(34)	—	34
Net income attributable to common shareholders	\$ 15,861	\$ 8,245	\$ 56,005	\$ 43,996	\$ 7,616	\$ 12,009
Basic earnings per common share	\$ 0.49	\$ 0.23	\$ 1.69	\$ 1.23	\$ 0.26	\$ 0.46
Diluted earnings per common share	\$ 0.48	\$ 0.23	\$ 1.68	\$ 1.22	\$ 0.25	\$ 0.46

Net Interest Expense

Net interest expense increased \$3.8 million and \$13.7 million, or 49.3% and 76.3% for the three and nine months ended September 24, 2023, respectively, due primarily to higher average outstanding debt as well as an increase in borrowing rates in 2023. The higher outstanding debt on our senior secured revolving credit facility (“the PJI Revolving Facility”) was primarily utilized to finance share repurchases in the first quarter of 2023. Total debt outstanding was \$790.8 million and \$605.0 million as of September 24, 2023 and December 25, 2022, respectively.

Income Tax Expense (Benefit)

Our effective income tax rates were 22.2% and 22.7% for three and nine months ended September 24, 2023, compared to income tax rates of 28.5% and 16.8% for the prior year comparable periods. The lower effective tax rate for the nine months ended September 25, 2022 was caused by higher excess tax benefits generated by stock option exercises and vesting of restricted shares in 2022 along with a lower pre-tax income.

<i>(Dollars in thousands)</i>	Three Months Ended		Nine Months Ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
Income before income taxes	\$ 20,490	\$ 11,838	\$ 72,902	\$ 54,833
Income tax expense	\$ 4,539	\$ 3,374	\$ 16,546	\$ 9,212
Effective tax rate	22.2 %	28.5 %	22.7 %	16.8 %

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests was \$0.1 million and \$0.4 million for the three and nine months ended September 24, 2023, compared with \$0.1 million and \$1.4 million for the prior year comparable period. The decrease was due to the refranchising of our 51% ownership interest in a 90-restaurant consolidated joint venture in Texas on March 28, 2022.

Diluted Earnings Per Common Share

Diluted earnings per common share was \$0.48 and \$1.68 for the three and nine months ended September 24, 2023, respectively, compared to \$0.23 and \$1.22 for the prior year comparable period, representing increases of \$0.25 and \$0.46, respectively. Adjusted diluted earnings per common share, a non-GAAP measure, was \$0.53 and \$1.80 for the three and nine months ended September 24, 2023, compared to adjusted diluted earnings per common share of \$0.54 and \$2.23 for the prior year comparable periods, representing decreases of \$0.01 and \$0.43, respectively. See “Non-GAAP Measures” for additional information.

Non-GAAP Measures

In addition to the results provided in accordance with U.S. GAAP, we provide certain non-GAAP measures, which present results on an adjusted basis. These are supplemental measures of performance that are not required by or presented in accordance with U.S. GAAP and include the following: adjusted operating income, adjusted net income attributable to common shareholders and adjusted diluted earnings per common share. We believe that our non-GAAP financial measures enable investors to assess the operating performance of our business relative to our performance based on U.S. GAAP results and relative to other companies. We believe that the disclosure of these non-GAAP measures is useful to investors as they reflect metrics that our management team and Board utilize to evaluate our operating performance, allocate resources and administer employee incentive plans. The most directly comparable U.S. GAAP measures to adjusted operating income, adjusted net income attributable to common shareholders and adjusted diluted earnings per common share are operating income, net income attributable to common shareholders and diluted earnings per common share, respectively. These non-GAAP measures should not be construed as a substitute for or a better indicator of the Company's performance than the Company's U.S. GAAP results. The table below reconciles our GAAP financial results to our non-GAAP financial measures.

	Three Months Ended		Nine Months Ended	
	September 24, 2023	September 25, 2022	September 24, 2023	September 25, 2022
<i>(In thousands, except per share amounts)</i>				
Operating income	\$ 31,868	\$ 19,461	\$ 104,576	\$ 72,800
UK repositioning and acquisition-related costs ^(a)	1,193	—	2,501	—
Refranchising and impairment losses ^(b)	—	905	—	26,701
Legal settlements ^(c)	577	10,000	577	15,000
Provision for uncollectible accounts and notes receivable ^(d)	—	3,227	—	3,227
Other costs ^(e)	—	—	2,017	1,507
Adjusted operating income	<u>\$ 33,638</u>	<u>\$ 33,593</u>	<u>\$ 109,671</u>	<u>\$ 119,235</u>
Net income attributable to common shareholders	\$ 15,861	\$ 8,245	\$ 56,005	\$ 43,996
UK repositioning and acquisition-related costs ^(a)	1,193	—	2,501	—
Refranchising and impairment losses ^(b)	—	905	—	26,701
Legal settlements ^(c)	577	10,000	577	15,000
Provision for uncollectible accounts and notes receivable ^(d)	—	3,227	—	3,227
Other costs ^(e)	—	—	2,017	1,507
Tax effect of adjustments ^(f)	(404)	(3,180)	(1,162)	(10,449)
Adjusted net income attributable to common shareholders ^(g)	<u>\$ 17,227</u>	<u>\$ 19,197</u>	<u>\$ 59,938</u>	<u>\$ 79,982</u>
Diluted earnings per common share	\$ 0.48	\$ 0.23	\$ 1.68	\$ 1.22
UK repositioning and acquisition-related costs ^(a)	0.04	—	0.07	—
Refranchising and impairment losses ^(b)	—	0.03	—	0.75
Legal settlements ^(c)	0.02	0.28	0.02	0.42
Provision for uncollectible accounts and notes receivable ^(d)	—	0.09	—	0.09
Other costs ^(e)	—	—	0.06	0.04
Tax effect of adjustments ^(f)	(0.01)	(0.09)	(0.03)	(0.29)
Adjusted diluted earnings per common share ^(g)	<u>\$ 0.53</u>	<u>\$ 0.54</u>	<u>\$ 1.80</u>	<u>\$ 2.23</u>

- (a) Represents costs associated with repositioning the UK portfolio as well as transaction costs related to the acquisition of stores from franchisees.
- (b) Refranchising and impairment losses consisted of the following pre-tax adjustments:

<i>(In thousands)</i>	Three Months Ended September 25, 2022	Nine Months Ended September 25, 2022
Refranchising impairment loss ⁽¹⁾	\$ —	\$ 8,412
Ukraine-related charge ⁽²⁾	—	17,384
PJUK lease impairment ⁽³⁾	905	905
Total adjustment	<u>\$ 905</u>	<u>\$ 26,701</u>

- ⁽¹⁾ Represents a one-time, non-cash charge of \$8.4 million (\$0.23 loss per diluted share) recorded in the first quarter of 2022 associated with the refranchising of the Company's controlling interest in the 90-restaurant joint venture, recorded as Refranchising and impairment loss.
- ⁽²⁾ Represents a one-time non-cash charge of \$17.4 million (\$0.48 loss per diluted share) on accounts receivable, notes receivable, and impairment of reacquired franchised rights in connection with the conflict in Ukraine and related government actions in the first quarter of 2022, which were recorded as Refranchising and impairment loss of \$2.8 million and General and administrative expenses of \$14.6 million.
- ⁽³⁾ An impairment charge of \$0.9 million on the right-of-use assets on leases recorded in the third quarter of 2022 associated with the termination of a significant franchisee in the United Kingdom, which was recorded in Refranchising and impairment loss.
- ^(c) Represents accruals for certain legal settlements, recorded in General and administrative expenses. See "Note 9. Litigation, Commitments and Contingencies" for further information.
- ^(d) Represents a \$3.2 million charge recorded in the third quarter of 2022 associated with the termination of a significant franchisee in the United Kingdom related to the reserve of certain accounts and notes receivable.
- ^(e) Represents severance and related costs associated with the transition of certain executives incurred during the three and nine months ended September 24, 2023 and September 25, 2022, which were recorded in General and administrative expenses.
- ^(f) The tax effect on non-GAAP adjustments was calculated by applying the marginal tax rates of 22.8% and 22.5% for the three and nine-month periods ended September 24, 2023 and September 25, 2022, respectively.
- ^(g) Amounts shown exclude the impact of allocation of undistributed earnings to participating securities.

In addition, we present free cash flow in this report, which is a non-GAAP measure. Please see "Liquidity and Capital Resources – Free Cash Flow" for a discussion of why we believe free cash flow provides useful information regarding our financial condition and results of operations, and a reconciliation of free cash flow to the most directly comparable U.S. GAAP measure.

Liquidity and Capital Resources

Our primary sources of liquidity and capital resources are cash flows from operations and borrowings under our credit facility. Our principal uses of cash are operating expenses, capital expenditures, and returning value to our shareholders in the form of cash dividends and share repurchases. Our capital priorities are:

- investing for growth
- maintaining a strong balance sheet, and
- returning capital to shareholders

The Company believes that its balances of cash and cash equivalents and borrowing capacity, along with cash generated by operations, will be sufficient to satisfy its cash requirements, cash dividends, interest payments and share repurchases over the next twelve months and beyond.

Cash Flows

The table below summarizes our cash flows for the nine months ended September 24, 2023 and September 25, 2022 (in thousands):

	Nine Months Ended	
	September 24, 2023	September 25, 2022
Total cash provided by (used in):		
Operating activities	\$ 126,936	\$ 76,553
Investing activities	(57,654)	(30,229)
Financing activities	(79,139)	(79,216)
Effect of exchange rate changes on cash and cash equivalents	(24)	(1,100)
Change in cash and cash equivalents	\$ (9,881)	\$ (33,992)

Operating Activities

Total cash provided by operating activities was \$126.9 million for the nine months ended September 24, 2023 compared to \$76.6 million for the corresponding period of 2022. The increase of \$50.4 million primarily reflects favorable working capital changes, principally related to higher incentive compensation payments during the nine months ended September 25, 2022 and other current liabilities, as well as lower inventory balances stemming from lower commodity costs and higher cash collections on accounts receivable balances during 2023 due to timing of cash receipts at the beginning of the year.

Investing Activities

Total cash used in investing activities was \$57.7 million for the nine months ended September 24, 2023 compared to \$30.2 million for the same period in 2022, or an increase of \$27.4 million. The increase in cash used in investing activities was primarily due to cash proceeds of \$14.0 million, net of transaction costs, received from the 2022 refranchising during the nine months ended September 25, 2022. Additionally, the Company paid \$5.6 million to purchase 37 International and Domestic restaurants and issued \$7.3 million of construction and development notes during the nine months ended September 24, 2023.

Our capital expenditures consisted primarily of capital investments for existing stores, new store locations and capital expenditures for strategic initiatives. We estimate that our capital expenditures during 2023 will be approximately \$80 million to \$90 million. This estimate includes the acquisition of sites and construction costs for new Company-owned stores that have opened or that we expect to open during 2023. We intend to fund our capital expenditures with cash generated by operations and borrowings under our PJI Revolving Facility, as necessary.

Financing Activities

Total cash used in financing activities was \$79.1 million for the nine months ended September 24, 2023 compared to \$79.2 million for the same period of 2022. In 2023, cash used for financing activities includes outflows of \$210.3 million in share repurchases and \$43.6 million of common stock dividends paid, partially offset by net borrowings of \$171.0

million from the PJI Revolving Facility and \$14.8 million from the PJMF revolving line of credit (the “PJMF Revolving Facility”). In 2022, cash used for financing activities includes outflows of \$95.0 million in share repurchases and \$39.9 million of dividends paid, partially offset by net borrowings of \$67.0 million from the PJI Revolving Facility.

Debt

Our outstanding debt as of September 24, 2023 was \$790.8 million, which was comprised of \$400.0 million of our 3.875% senior notes (the “Notes”) and \$390.8 million outstanding under the PJI Revolving Facility and the PJMF Revolving Facility. Remaining availability under the PJI Revolving Facility was approximately \$224.0 million as of September 24, 2023.

Our Credit Agreement, dated September 14, 2021, contains affirmative and negative covenants that, among other things, require customary reporting obligations and restrict, subject to certain exceptions, the incurrence of additional indebtedness and liens, the consummation of certain mergers, consolidations, sales of assets and similar transactions, the making of investments, equity distributions and other restricted payments, and transactions with affiliates. The Company is also subject to certain financial covenants, as shown in the following table, that could restrict or impose constraints on the liquidity of our business:

	Permitted Ratio	Actual Ratio as of September 24, 2023
Leverage ratio	Not to exceed 5.25 to 1.0	3.4 to 1.0
Interest coverage ratio	Not less than 2.00 to 1.0	3.3 to 1.0

Our leverage ratio is defined as outstanding debt divided by Consolidated EBITDA (as defined in the Credit Agreement) for the most recent four fiscal quarters. Our interest coverage ratio is defined as the sum of Consolidated EBITDA and consolidated rental expense for the most recent four fiscal quarters divided by the sum of consolidated interest expense and consolidated rental expense for the most recent four fiscal quarters. We were in compliance with all financial covenants as of September 24, 2023.

In addition, the Indenture governing the Notes contains customary covenants that, among other things and subject to certain exceptions, limit our ability and the ability of certain of our subsidiaries to: incur additional indebtedness and guarantee indebtedness; pay dividends or make other distributions or repurchase or redeem our capital stock; prepay, redeem or repurchase certain debt; issue certain preferred stock or similar equity securities; make loans and investments; sell assets; incur liens; enter into transactions with affiliates; enter into agreements restricting our subsidiaries’ ability to pay dividends; and consolidate, merge or sell all or substantially all of our assets.

The PJMF Revolving Facility consists of a \$20.0 million revolving line of credit pursuant to a Revolving Loan Agreement, dated September 30, 2015 with U.S. Bank National Association, as lender. Debt outstanding under the PJMF Revolving Facility was approximately \$14.8 million as of September 24, 2023. The PJMF operating results and the related debt outstanding do not impact the financial covenants under the Credit Agreement.

On September 30, 2023, the Company amended the PJMF Revolving Facility to, among other items: (i) extend the maturity date to September 30, 2024; (ii) amend the variable interest rate to a one month SOFR plus 1.975%; and (iii) expand the capacity from \$20.0 million to \$30.0 million.

Refer to Note 12 of the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 25, 2022 for additional information.

Share Repurchases

As part of our long-term growth and capital allocation strategy, we are committed to investing in share repurchases to provide ongoing value and enhanced returns to our shareholders. On October 28, 2021, our Board of Directors approved a share repurchase program with an indefinite duration for up to \$425.0 million of the Company’s common stock.

The following table summarizes our repurchase activity under these programs for the three and nine months ended September 24, 2023 and September 25, 2022:

<i>(In thousands, except average price per share)</i>					
Three Months Ended	Total Number of Shares Purchased	Average Price Paid per Share	Aggregate Cost of Shares Purchased	Aggregate Cost of Shares Purchased	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
September 24, 2023	—	\$ —	\$ —	\$ —	\$ 90,160
September 25, 2022	229	\$ 85.15	\$ 19,529	\$ 19,529	\$ 329,800

<i>(In thousands, except average price per share)</i>					
Nine Months Ended	Total Number of Shares Purchased	Average Price Paid per Share	Aggregate Cost of Shares Purchased	Aggregate Cost of Shares Purchased^(a)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
September 24, 2023	2,523	\$ 83.10	\$ 209,640	\$ 209,640	\$ 90,160
September 25, 2022	982	\$ 96.71	\$ 95,000	\$ 95,000	\$ 329,800

^(a) The shares repurchased during the nine months ended September 24, 2023 included 2,176,928 shares repurchased on March 1, 2023 from certain funds affiliated with, or managed by, Starboard Value LP at a price of \$82.52 per share for aggregate consideration of \$179.6 million.

The Company utilizes a written trading plan under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, from time to time to facilitate the repurchase of shares of our common stock under this share repurchase program. There can be no assurance that we will repurchase shares of our common stock either through a Rule 10b5-1 trading plan or otherwise.

Dividends

The Company paid aggregate dividends to common stockholders of \$43.6 million (\$1.30 per share) and \$39.9 million (\$1.12 per share) for the nine months ended September 24, 2023 and September 25, 2022, respectively. On October 24, 2023, our Board of Directors declared a fourth quarter dividend of \$0.46 per common share (approximately \$15.1 million in the aggregate), which will be paid on November 24, 2023 to stockholders of record as of the close of business on November 13, 2023. The declaration and payment of any future dividends will be at the discretion of our Board of Directors.

Free Cash Flow

Free cash flow, a non-GAAP measure, is defined as net cash provided by operating activities (from the Condensed Consolidated Statements of Cash Flows) less the purchases of property and equipment. We view free cash flow as an important financial measure because it is one factor that management uses in determining the amount of cash available for discretionary investment. Free cash flow is not a term defined by GAAP, and as a result, our measure of free cash flow might not be comparable to similarly titled measures used by other companies. Free cash flow should not be construed as a substitute for or a better indicator of the Company's performance than the Company's GAAP measures.

The Company's free cash flow was as follows for the nine month periods of 2023 and 2022 (in thousands):

	Nine Months Ended	
	September 24, 2023	September 25, 2022
Net cash provided by operating activities	\$ 126,936	\$ 76,553
Purchases of property and equipment	(50,905)	(48,424)
Free cash flow	<u>\$ 76,031</u>	<u>\$ 28,129</u>

Cash Requirements

There have been no material changes in our cash requirements other than in the ordinary course of business since the end of 2022. Refer to "Contractual Obligations" presented within "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 25, 2022 for additional information regarding our cash requirements.

Forward-Looking Statements

Certain matters discussed in this Quarterly Report on Form 10-Q 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, investments in the UK market, 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. The risks, uncertainties and assumptions that are involved in our forward-looking statements include, but are not limited to:

- the ability of the Company to manage challenging macroeconomic conditions in the United States and internationally, including the United Kingdom;
- the ability of the Company to manage staffing and labor shortages at Company and/or franchised restaurants and our quality control centers;
- increases in labor costs, food costs 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;
- the increased risk of phishing, ransomware and other cyber-attacks;
- risks to the global economy and our business related to the conflict in Ukraine and other international conflicts;
- increased costs for branding initiatives and launching new advertising and marketing campaigns and promotions to boost consumer sentiment and sales trends, and the risk that such initiatives will not be effective;
- risks related to a possible economic recession or downturn that could, among other things, reduce consumer spending or demand and result in changing consumer practices;
- risks related to social media, including publicity adversely and rapidly impacting our brand and reputation;
- aggressive changes in pricing or other marketing or promotional strategies by competitors, which may adversely affect sales and profitability; and new product and concept developments by food industry competitors;
- changes in consumer preferences or consumer buying habits, including the growing popularity of delivery aggregators, as well as changes in general economic conditions or other factors that may affect consumer confidence and discretionary spending, including higher unemployment;
- the adverse impact on the Company or our results caused by global health concerns, product recalls, food quality or safety issues, incidences of foodborne illness, food contamination and other general public health concerns about our Company-owned or franchised restaurants or others in the restaurant industry;
- the effectiveness of our technology investments and changes in unit-level operations;
- the ability of the Company and its franchisees to meet planned growth targets and operate new and existing restaurants profitably, including difficulties finding qualified franchisees, store level employees or suitable sites;
- increases in insurance claims and related costs for programs funded by the Company up to certain retention limits, including medical, owned and non-owned vehicles, workers’ compensation, general liability and property;
- disruption of our supply chain or commissary operations which could be caused by our sole source of supply of mozzarella cheese, desserts, garlic cups or limited source of suppliers for other key ingredients or more generally due to weather, natural disasters including drought, disease, or geopolitical or other disruptions beyond our control, including the coronavirus pandemic;
- increased risks associated with our International operations, including economic and political conditions and risks associated with the withdrawal of the UK from the European Union, instability or uncertainty in our international markets, especially emerging markets, fluctuations in currency exchange rates, difficulty in meeting planned sales targets and new store growth;
- the impact of current or future claims and litigation and our ability to comply with current, proposed or future legislation that could impact our business including compliance with the European Union General Data Protection Regulation;
- risks related to our indebtedness and borrowing costs, including prolonged higher interest rates, and the current state of the credit markets;

- the Company’s ability to continue to pay dividends to stockholders based upon profitability, cash flows and capital adequacy if restaurant sales and operating results decline;
- our ability to effectively operate and improve the performance of International Company-owned restaurants;
- disruption of critical business or information technology systems, or those of our suppliers, and risks associated with systems failures and data privacy and security breaches, including theft of confidential Company, employee and customer information, including payment cards; and
- changes in Federal or state income, general and other tax laws, rules and regulations and changes in generally accepted accounting principles.

These and other risk factors 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 “Part II. Item 1A. - Risk Factors” in our Quarterly Report on Form 10-Q for the three and six months ended June 25, 2023 and they may be updated from time to time in our future reports filed with the Securities and Exchange Commission. 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to the impact of interest rate changes on our PJI Revolving Facility and PJMF Revolving Facility. We attempt to minimize interest rate risk exposure by fixing our interest rate through the utilization of interest rate swaps, which are derivative financial instruments. Our swaps are entered into with financial institutions that participate in the PJI Revolving Facility. By using a derivative instrument to hedge exposures to changes in interest rates, we expose ourselves to credit risk due to the possible failure of the counterparty to perform under the terms of the derivative contract. We do not enter into contracts for trading purposes and do not use leveraged instruments. The market risks associated with our debt obligations as of September 24, 2023 have not changed from those reported in “Part II. Item 7A. Quantitative and Qualitative Disclosure About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended December 25, 2022. See “Note 8. Debt” of “Notes to Condensed Consolidated Financial Statements” for additional information on our debt obligations and derivative instruments.

Foreign Currency Exchange Rate Risk

We are exposed to foreign currency exchange rate fluctuations from our operations outside of the United States, which can adversely impact our revenues, net income and cash flows. Our International operations consist of distribution sales to franchised Papa John’s restaurants located in the UK 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, as well as Company-owned restaurants located in the UK. Approximately 8.2% and 7.0% of our revenues were derived from these operations for the three and nine months ended September 24, 2023, respectively, as compared to 6.0% and 6.2% for the prior year comparable periods.

We have not historically hedged our exposure to foreign currency fluctuations. Foreign currency exchange rate fluctuations had a favorable impact of approximately \$2.3 million and an unfavorable impact of \$0.7 million on International revenues for the three and nine months ended September 24, 2023, and an unfavorable impact of \$4.6 million and \$9.0 million for the three and nine months ended September 25, 2022. Foreign currency exchange rate fluctuations had an unfavorable impact of approximately \$0.3 million and \$0.8 million on operating income for the three and nine months ended September 24, 2023, respectively, and an unfavorable impact of \$0.4 million and \$1.5 million on operating income for the three and nine months ended September 25, 2022, respectively.

Commodity Price Risk

In the ordinary course of business, the food and paper products we purchase, including cheese (our largest ingredient cost), are subject to seasonal fluctuations, weather, availability, demand and other factors that are beyond our control. We have pricing agreements with some of our vendors, including forward pricing agreements for a portion of our cheese purchases for our Domestic Company-owned restaurants, which are accounted for as normal purchases; however, we remain exposed to ongoing commodity volatility.

The following table presents the actual average block price for cheese by quarter through the third quarter of 2023 and the projected average block price by quarter for 2023 (based on the October 27, 2023 Chicago Mercantile Exchange cheese futures market prices):

	2023	2022
	Projected Block Price	Actual Block Price
Quarter 1	\$ 1.960	\$ 1.966
Quarter 2	1.668	2.296
Quarter 3	1.755	1.938
Quarter 4	1.788	1.974
Full Year	\$ 1.793 ^(a)	\$ 2.043

(a)

The full year estimate is based on futures prices and does not include the impact of forward pricing agreements we have for a portion of our cheese purchases for our domestic Company-owned restaurants. Additionally, the price charged to restaurants can vary somewhat by quarter from the actual block price based upon our monthly pricing mechanism.

Item 4. Controls and Procedures

Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

During the most recently completed fiscal quarter, there was no change made in the Company's internal control over financial reporting (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in a number of lawsuits, claims, investigations and proceedings consisting of intellectual property, employment, consumer, commercial and other matters arising in the ordinary course of business. In accordance with Financial Accounting Standards Board Accounting Standards Codification 450, "Contingencies", the Company has made accruals with respect to these matters, where appropriate, which are reflected in the Company's condensed consolidated financial statements. We review these provisions at least quarterly and adjust these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. The legal proceedings described in "Note 9. Litigation, Commitments and Contingencies" of "Notes to Condensed Consolidated Financial Statements" within "Part I. Item 1. Financial Statements" of this Form 10-Q are incorporated herein by reference.

Item 1A. Risk Factors

Except as set forth in "Part II. Item 1A - Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended June 25, 2023, there have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Share Repurchase Program

On October 28, 2021, our Board of Directors approved a share repurchase program with an indefinite duration for up to \$425.0 million of the Company's common stock. Funding for the share repurchase program was provided through our operating cash flows and our \$600.0 million PJI Revolving Facility.

The following table summarizes our repurchase activity by fiscal period during the three months ended September 24, 2023 (in thousands, except per share amounts):

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
6/26/2023 - 7/23/2023	—	\$ —	—	\$ 90,160
7/24/2023 - 8/20/2023	—	\$ —	—	\$ 90,160
8/21/2023 - 9/24/2023	—	\$ —	—	\$ 90,160
Total	—	\$ —	—	\$ 90,160

The Company utilizes a written trading plan under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, from time to time to facilitate the repurchase of shares of our common stock under this share repurchase program. There can be no assurance that we will repurchase shares of our common stock either through a Rule 10b5-1 trading plan or otherwise.

Repurchases of Stock for Tax Withholdings

During the fiscal quarter ended September 24, 2023, the Company acquired approximately 2,000 shares of its common stock from employees to satisfy minimum tax withholding obligations that arose upon (i) vesting of restricted stock granted pursuant to approved plans and (ii) distribution of shares of common stock issued pursuant to deferred compensation obligations.

Item 5. Other Information

During the three months ended September 24, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement", as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description
10.1**	<u>Amendment No. 1, effective as of August 1, 2023, to Endorsement Agreement, dated as of March 15, 2022 by and among, on the one hand, ABG-Shaq, LLC, for the personal services of Shaquille O'Neal and, on the other hand, Papa John's Marketing Fund, Inc. and Papa John's International, Inc.</u>
31.1	<u>Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-15(e), As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-15(e), As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1	<u>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.</u>
32.2	<u>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.</u>
101	Financial statements from the quarterly report on Form 10-Q of Papa John's International, Inc. for the quarter ended September 24, 2023, filed on November 2, 2023, formatted in iXBRL: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Stockholders' Deficit, (v) the Condensed Consolidated Statements of Cash Flows and (vi) the Notes to Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

** Filed herewith.

SIGNATURE

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: November 2, 2023

/s/ Ravi Thanawala

Ravi Thanawala

Chief Financial Officer

AMENDMENT NO. 1
TO
ENDORSEMENT AGREEMENT

THIS AMENDMENT NO. 1 TO THE ENDORSEMENT AGREEMENT (the "Amendment No. 1") is effective as of August 1, 2023, and is entered into by and between ABG-Shaq, LLC ("ABG"), on the one hand, and Papa Johns Marketing Fund, Inc. ("PJMFM") and Papa John's International, Inc. ("PJI") (PJMFM and PJI are, individually and collectively, "PAPA JOHN'S"), on the other hand, concerning that certain Endorsement Agreement dated as of March 15, 2022 (the "Agreement").

In consideration of the mutual covenants and agreements hereinafter contained on the part of each of the parties hereto to be kept, observed and performed, and for such other good and valuable consideration, receipt and sufficiency of which is hereby acknowledged, the parties hereto covenant and agree as follows:

1. **Defined Terms.** Except as otherwise defined herein, all capitalized terms used herein shall have the meaning ascribed to them in the Agreement. For the avoidance of doubt, from and after the date hereof, references to the Agreement in both the Agreement and this Amendment No. 1 shall refer to the Agreement as modified by the terms of this Amendment No. 1.

2. **Exhibit C.** From and after the date hereof, Exhibit C shall be amended as follows:

(a) Section II. shall be deleted in its entirety and replaced with the following:

II. License. Subject to the terms and conditions of the Agreement, ABG grants to PAPA JOHN'S the non-transferrable, non-assignable, non-sublicensable, indivisible right and license once per Contract Year for approximately three (3) months (two (2) months for a full public offering, and one (1) month for a geographically limited test before the full public offering), such dates to be mutually agreed upon (the "SAR Term") and throughout the world (excluding Russia and subject to applicable laws), to use the Celebrity Endorsement, in each instance, subject to ABG's Approval, in connection with the advertising, promotion and sale of SAR Co-Branded Products. As consideration for the right and license granted herein, and solely in connection with such offering outside of the United States and Canada, PAPA JOHN'S agrees to pay a minimum donation of Three Hundred Seventy Five Thousand US Dollars (\$375,000) for the benefit of The Shaquille O'Neal Foundation, to be payable as follows: One Hundred Twenty Five Thousand Dollars (\$125,000) payable on or before August 30, 2023, and Two Hundred Fifty Thousand Dollars (\$250,000) payable on or before May 30, 2024.

(b) Section III. shall be amended to change all references of "4.F." to "4.E."

3. **Notices.** From and after the date hereof, Section 12(f), subsection "To ABG" shall be deleted in its entirety and replaced with the following:

To ABG:

(i) If to Licensor for questions about submitting Approval requests:

c/o Authentic Brands Group, LLC
1411 Broadway, 21st Floor
New York, NY 10018
Attention: Approval Department
Email: approvals@authentic.com
Facsimile Number: (212) 760-2419

(ii) If to Licensor for questions about submitting Statements:

c/o Authentic Brands Group, LLC
1411 Broadway, 21st Floor
New York, NY 10018
Attention: Finance Department
Email: finance@authentic.com
Facsimile Number: (212) 760-2419

(iii) If to Licensor for any other reason:
c/o Authentic Brands Group, LLC
1411 Broadway, 21st Floor
New York, NY 10018
Attention: Legal Department
Email: legaldept@authentic.com
Facsimile Number: (212) 760-2419”

4. **Miscellaneous.**

- (a) Except as modified by this Amendment No. 1, all terms and conditions of the Agreement shall remain in full force and effect. For the avoidance of doubt, this Amendment No. 1 and the terms hereof constitute Confidential Information under the Agreement.
- (b) This Amendment No. 1 may be signed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one (1) and the same instrument. Facsimile, photographic and/or PDF copies of counterpart signature pages shall be deemed original counterpart pages for all purposes hereunder. Each of the parties agrees that an electronic signature evidencing a party’s execution of this Amendment No. 1 shall be effective as an original signature and may be used in lieu of the original for any purpose.
- (c) This Amendment No. 1 and the legal relations among the parties hereto shall be governed by, and construed in accordance with, the state laws of the State of New York (including, without limitation, with respect to full faith and credit accorded to the United States federal laws, e.g., the United States Lanham Act), notwithstanding any conflict of law provisions to the contrary.
- (d) In the event one (1) or more of the provisions of this Amendment No. 1, should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Amendment No. 1, and this Amendment No. 1, shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 1 as of the date first set forth above.

AGREED AND ACCEPTED AGREED AND ACCEPTED

“**ABG**” “**PAPA JOHN’S**”

ing Fund, Inc.

By: /s/ Jay Dubiner By: /s/ Mark Shambura

Print: Jay Dubiner Print: Mark Shambura

Title: Chief Legal Officer Title: CMO

Date: 8/9/2023 Date: 8/11/2023

AGREED AND ACCEPTED

“**PAPA JOHN’S**”

By: /s/ Rob Lynch

Print: Rob Lynch

Title: President and CEO

Date: 8/12/2023

**SECTION 302
CERTIFICATION**

I, Robert Lynch, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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 (or persons performing the equivalent functions):
 - 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 control over financial reporting.

Date: November 2, 2023

/s/ Robert Lynch

Robert Lynch

President and Chief Executive Officer

**SECTION 302
CERTIFICATION**

I, Ravi Thanawala, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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 (or persons performing the equivalent functions):
 - 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 control over financial reporting.

Date: November 2, 2023

/s/ Ravi Thanawala

Ravi Thanawala
Chief Financial Officer

**SECTION 906
CERTIFICATION**

I, Robert Lynch, President and Chief Executive 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 September 24, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) 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: November 2, 2023

/s/ Robert Lynch

Robert Lynch

President and Chief Executive Officer

**SECTION 906
CERTIFICATION**

I, Ravi Thanawala, 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 September 24, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) 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: November 2, 2023

/s/ Ravi Thanawala

Ravi Thanawala

Chief Financial Officer