

PAPA JOHNS INTERNATIONAL INC

Form 10-Q

August 04, 2009

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**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 June 28, 2009

OR

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

Commission File Number: 0-21660

PAPA JOHN S INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

61-1203323

(I.R.S. Employer Identification
number)

2002 Papa Johns Boulevard

Louisville, Kentucky 40299-2367

(Address of principal executive offices)

(502) 261-7272

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

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

At July 29, 2009, there were outstanding 28,065,439 shares of the registrant's common stock, par value \$0.01 per share.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Papa John's International, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets**

(In thousands)	June 28, 2009 (Unaudited)	December 28, 2008 (Note)
Assets		
Current assets:		
Cash and cash equivalents	\$ 24,328	\$ 10,987
Accounts receivable	22,091	23,775
Inventories	16,167	16,872
Prepaid expenses	9,635	9,797
Other current assets	3,986	5,275
Assets held for sale	1,019	1,540
Deferred income taxes	8,716	7,102
Total current assets	85,942	75,348
Investments	1,717	530
Net property and equipment	192,910	189,992
Notes receivable	13,464	7,594
Deferred income taxes	12,852	17,518
Goodwill	76,705	76,914
Other assets	20,194	18,572
Total assets	\$ 403,784	\$ 386,468
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 25,957	\$ 29,148
Income and other taxes	13,525	9,685
Accrued expenses	51,096	54,220
Current portion of debt	4,475	7,075
Total current liabilities	95,053	100,128
Unearned franchise and development fees	5,559	5,916
Long-term debt, net of current portion	103,067	123,579
Other long-term liabilities	19,923	18,607
Stockholders' equity:		
Preferred stock		
Common stock	357	352
Additional paid-in capital	227,439	216,553
Accumulated other comprehensive income (loss)	(985)	(3,818)
Retained earnings	165,775	133,759
Treasury stock	(221,818)	(216,860)
Total stockholders' equity, net of noncontrolling interests	170,768	129,986
Noncontrolling interests in subsidiaries	9,414	8,252
Total stockholders' equity	180,182	138,238
Total liabilities and stockholders' equity	\$ 403,784	\$ 386,468

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Note: The balance sheet at December 28, 2008 has been derived from the audited consolidated financial statements at that date, but does not include all information and footnotes required by accounting principles generally accepted in the United States for a complete set of financial statements. See Note 2 for modifications made as a result of adopting recent accounting pronouncements.

See accompanying notes.

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Papa John's International, Inc. and Subsidiaries

Consolidated Statements of Income

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(Unaudited)

(In thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Domestic revenues:				
Company-owned restaurant sales	\$ 124,966	\$ 133,815	\$ 256,671	\$ 272,670
Variable interest entities restaurant sales	11,223	2,239	16,894	4,279
Franchise royalties	14,664	14,759	30,025	30,204
Franchise and development fees	78	247	306	1,167
Commissary sales	101,444	106,321	209,360	212,368
Other sales	13,981	16,434	28,750	33,279
International revenues:				
Royalties and franchise and development fees	3,388	3,108	6,623	6,128
Restaurant and commissary sales	6,893	6,485	12,980	12,318
Total revenues	276,637	283,408	561,609	572,413
Costs and expenses:				
Domestic Company-owned restaurant expenses:				
Cost of sales	23,893	30,803	49,794	62,375
Salaries and benefits	36,157	40,050	74,360	81,610
Advertising and related costs	11,376	11,913	22,649	24,610
Occupancy costs	7,722	8,540	15,638	17,011
Other operating expenses	17,181	18,072	34,809	36,379
Total domestic Company-owned restaurant expenses	96,329	109,378	197,250	221,985
Variable interest entities restaurant expenses	9,326	1,987	14,135	3,780
Domestic commissary and other expenses:				
Cost of sales	84,586	89,976	175,536	179,982
Salaries and benefits	8,638	9,127	17,469	18,092
Other operating expenses	10,945	12,112	21,617	23,644
Total domestic commissary and other expenses	104,169	111,215	214,622	221,718
(Income) loss from the franchise cheese-purchasing program, net of minority interest	(5,462)	4,364	(12,565)	9,922
International operating expenses	5,907	5,818	11,264	11,158
General and administrative expenses	30,002	27,237	57,765	54,451
Other general expenses	3,583	539	8,050	2,752
Depreciation and amortization	8,181	8,404	16,136	16,410
Total costs and expenses	252,035	268,942	506,657	542,176
Operating income	24,602	14,466	54,952	30,237
Investment income	144	181	276	447
Interest expense	(1,440)	(1,802)	(2,856)	(3,694)
Income before income taxes	23,306	12,845	52,372	26,990
Income tax expense	8,037	4,538	18,339	9,514
Net income, including noncontrolling interests	15,269	8,307	34,033	17,476
Less: income attributable to noncontrolling interests	(1,092)	(659)	(2,017)	(1,203)
Net income, net of noncontrolling interests	\$ 14,177	\$ 7,648	\$ 32,016	\$ 16,273
Basic earnings per common share	\$ 0.51	\$ 0.27	\$ 1.16	\$ 0.57
Earnings per common share - assuming dilution	\$ 0.51	\$ 0.27	\$ 1.15	\$ 0.57
Basic weighted average shares outstanding	27,789	28,372	27,715	28,536
Diluted weighted average shares outstanding	27,989	28,705	27,860	28,754

See accompanying notes.

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Papa John's International, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

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(Unaudited)

(In thousands)	Papa John's International, Inc.							
	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Noncontrolling Interests in Subsidiaries	Total Stockholders Equity
Balance at December 30, 2007	28,777	\$ 349	\$ 208,598	\$ 156	\$ 96,963	\$ (179,163)	\$ 8,035	\$ 134,938
Comprehensive income:								
Net income					16,273		1,203	17,476
Change in valuation of interest rate swap agreements, net of tax of \$113				(229)				(229)
Foreign currency translation				133				133
Comprehensive income								17,380
Exercise of stock options	50	1	964					965
Tax effect related to exercise of non-qualified stock options			117					117
Acquisition of treasury stock	(768)					(20,287)		(20,287)
Distributions to noncontrolling interests							(840)	(840)
Other			2,567					2,567
Balance at June 29, 2008	28,059	\$ 350	\$ 212,246	\$ 60	\$ 113,236	\$ (199,450)	\$ 8,398	\$ 134,840
Balance at December 28, 2008	27,637	\$ 352	\$ 216,553	\$ (3,818)	\$ 133,759	\$ (216,860)	\$ 8,252	\$ 138,238
Comprehensive income:								
Net income					32,016		2,017	34,033
Change in valuation of interest rate swap agreements, net of tax of \$322				573				573
Foreign currency translation				2,260				2,260