

PAPA JOHNS INTERNATIONAL INC  
Form 11-K  
June 26, 2018  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

Annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2017

OR

Transition report pursuant to Section 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0 21660

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

PAPA JOHN'S INTERNATIONAL, INC. 401(k) PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

PAPA JOHN'S INTERNATIONAL, INC.

2002 Papa John's Boulevard

Louisville, Kentucky 40299-2367

(502) 261 7272

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Papa John's International, Inc. 401(k) Plan

Financial Statements and Supplemental Schedules

Years ended December 31, 2017 and 2016

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Report of Independent Registered Public Accounting Firm

To the Plan Participants and Plan Administrator

Papa John's International, Inc. 401(k) Plan

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of the Papa John's International, Inc. 401(k) Plan (the "Plan") as of December 31, 2017 and 2016, the related statements of changes in net assets available for benefits for the years then ended, and the related notes (collectively, the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Report on Supplemental Schedules

The supplemental schedules listed in the Table of Contents have been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental schedules are the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental schedules reconcile to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedules. In forming our opinion on the supplemental schedules, we evaluated whether the supplemental schedules, including their form and content, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, such schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ MCM CPAs & Advisors LLP

Louisville, Kentucky

June 26, 2018

We have served as the auditor of the Plan since 2006.

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Papa John's International, Inc. 401(k) Plan

Statements of Net Assets Available for Benefits

December 31, 2017 and 2016

	2017	2016
Assets		
Cash	\$ 71	\$ 22
Investments at fair value:		
Papa John's International, Inc. common stock	4,130,859	6,718,426
Mutual funds	31,722,940	26,326,182
Pooled separate accounts	22,877,046	15,649,379
Collective trust fund	3,001,104	2,736,897
Total investments	61,731,949	51,430,884
Receivables:		
Contributions receivable from employer	1,507,834	1,490,232
Notes receivable from participants	2,371,460	1,917,927
Total receivables	3,879,294	3,408,159
Net assets available for benefits	\$ 65,611,314	\$ 54,839,065

See accompanying notes.

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Papa John's International, Inc. 401(k) Plan

Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2017 and 2016

	2017	2016
Additions (deductions):		
Investment income:		
Net appreciation in fair value of investments	\$ 6,037,172	\$ 5,255,328
Interest and dividend income	834,236	647,475
Total investment income	6,871,408	5,902,803
Contributions:		
Participant	4,562,523	4,237,935
Rollover	1,535,148	1,452,257
Employer	1,507,835	1,490,232
Total contributions	7,605,506	7,180,424
Benefits paid to participants	(3,409,839)	(4,153,668)
Administrative fees	(294,826)	(249,750)
Net increase	10,772,249	8,679,809
Net assets available for benefits at beginning of year	54,839,065	46,159,256
Net assets available for benefits at end of year	\$ 65,611,314	\$ 54,839,065

See accompanying notes.

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Papa John's International, Inc. 401(k) Plan

Notes to Financial Statements

December 31, 2017 and 2016

1. Description of Plan

The following description of the Papa John's International, Inc. 401(k) Plan (the "Plan") provides general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan's provisions.

General

Papa John's International, Inc. (the "Company") established the Plan on October 1, 1995. The Plan is a defined contribution plan available to all eligible employees of the Company and its subsidiaries, who have attained the age of twenty-one and have completed one year of service as defined by the Plan. Highly compensated employees, as defined by the Plan, are restricted from deferring contributions to the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100 percent vested in their accounts.

Contributions

Participants may voluntarily elect to contribute from 1 to 75 percent of annual eligible wages to their accounts within the Plan. Participant contributions are subject to Internal Revenue Code ("IRC") limits. The Company may, at its discretion, make matching or profit sharing contributions to the Plan. The Company contributed, to participants who completed 1,000 hours of service and were actively employed on the last day of the 2017 and 2016 Plan years, an amount equal to 50 cents for every dollar contributed by the participants up to a maximum of the first 6 percent of the participants' eligible compensation contributed to the Plan. Participants who die, retire, or are disabled during the Plan year also received Company matching contributions.

Participant Accounts

Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contributions and Company matching contributions, as well as allocations of the Company's profit sharing contribution and Plan earnings. All contributions are allocated at the direction of the participant among selected investment funds. Each fund's investment income or loss, less any investment management fee, is allocated to participants' accounts based on their proportionate interest in the fund. The value of participant accounts will fluctuate with the market value of the securities in which the accounts are invested.

Vesting

Participant contributions and the earnings on those contributions are immediately vested to the participant. Company discretionary contributions and related earnings vest subject to a five-year graded vesting schedule which is based on years of vesting service. To receive vesting service for a Plan year, a participant must have completed at least 1,000 hours of service during the Plan year.



#### Payment of Benefits

Vested account balances are payable upon retirement, death or disability, or termination of employment. In-service distributions are also permitted upon meeting certain requirements as defined by the Plan.

#### Notes Receivable from Participants

Eligible participants may borrow from their accounts a minimum loan amount of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50 percent of their vested account balance. Loans are secured by the balances in the participants' accounts and are interest bearing at the prime rate plus one percentage point at the time of the loans. The loans are measured at their unpaid principal balance plus any accrued but unpaid interest.

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Papa John's International, Inc. 401(k) Plan

Notes to Financial Statements

December 31, 2017 and 2016

Forfeitures

Forfeited balances of terminated participants' non-vested accounts are used to reduce future Company contributions. Forfeitures of approximately \$52,000 and \$20,500 were used to reduce the amount of the employer matching contributions receivable as of December 31, 2017 and 2016, respectively. Forfeited amounts approximated \$30,200 and \$20,300 at December 31, 2017 and 2016, respectively.

Administrative Expenses

Administrative expenses of the Plan are paid by the Company or Plan participants, as defined by the Plan.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Contributions

Contributions from participants are recorded when the Company makes payroll deductions. Discretionary employer contributions are determined, funded and recorded annually. Contributions receivable represent amounts not yet deposited into the participants' individual accounts.

Valuation of Investments and Income Recognition

The Plan's investments are stated at fair value (see Note 3). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The Plan presents in the accompanying Statements of Changes in Net Assets Available for Benefits the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

Management fees and operating expenses charged to the Plan for investments are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Plan's management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

#### Subsequent Events

Subsequent events for the Plan have been considered through the date of the Independent Auditor's Report, which represents the date the financial statements were available to be issued.

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Papa John's International, Inc. 401(k) Plan

Notes to Financial Statements

December 31, 2017 and 2016

3. Fair Value Measurements

The Financial Accounting Standards Board Accounting Standards Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three-tier fair value hierarchy includes the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which the transaction for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data, such as quoted prices for similar assets or liabilities or model-derived valuations.
- Level 3: Unobservable inputs that are not corroborated by market data. These inputs reflect a company's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a description of the valuation methodologies used for the investments measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Papa John's International, Inc. common stock:

Papa John's International, Inc. common stock is traded on The NASDAQ Global Select Market tier of The NASDAQ Stock Market under the symbol PZZA. The common stock is valued at its quoted market price at the daily close of NASDAQ on the last business day of the Plan year and is classified as a Level 1 investment.

Mutual funds:

Mutual funds are valued at quoted market prices in an exchange and active market and are classified as Level 1 investments.

Pooled separate accounts:

Pooled separate accounts ("PSAs") are privately managed through investment companies and are not publicly quoted. PSAs are comprised, primarily, of shares of registered investment companies held through sub-accounts of an

insurance company. The PSAs are valued using net asset value (“NAV”) as a practical expedient to estimate fair value where NAV is based on the value of the underlying investment assets held through sub-accounts of a separate account of an insurance company. This practical expedient is not used when it is determined to be probable that the account will sell the investment for an amount different than the reported NAV. The Plan has concluded that the NAVs reported by the investment companies approximate the fair value of the investments. There are currently no redemption restrictions or unfunded commitments on these investments.

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Papa John's International, Inc. 401(k) Plan

Notes to Financial Statements

December 31, 2017 and 2016

Collective trust fund:

The Principal Stable Value Fund, held in a collective trust fund, invests in conventional and synthetic guaranteed investment contracts ("GICs") issued by life insurance companies, banks and other financial institutions with excess cash invested in cash equivalents. The objective of the stable value fund is to provide preservation of capital and relatively stable returns regardless of the volatility of the financial markets. The investments are valued using NAV as a practical expedient to estimate fair value where NAV is based on the value of the underlying investment assets owned by the fund, minus its liabilities. This practical expedient is not used when it is determined to be probable that the account will sell the investment for an amount different than the reported NAV. Participant transactions (purchases and sales) may occur daily. Were the Plan to initiate a full redemption of the collective trust, the issuer reserves the right to temporarily delay withdrawal from the trust in order to ensure that securities liquidations will be carried out in an orderly business manner. There are currently no redemption restrictions or unfunded commitments on these investments.

The Plan's investments measured at fair value on a recurring basis as of December 31, 2017 and 2016 are as follows:

	December 31, 2017			
	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Papa John's International, Inc. common stock	\$ 4,130,859	\$ —	\$ —	\$ 4,130,859
Mutual funds	31,722,940	—	—	31,722,940
Total assets in fair value hierarchy	\$ 35,853,799	\$ —	\$ —	35,853,799
Investments measured at NAV (a)				25,878,150
Investments at fair value				\$ 61,731,949

	December 31, 2016			
	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Papa John's International, Inc. common stock	\$ 6,718,426	\$ —	\$ —	\$ 6,718,426
Mutual funds	26,326,182	—	—	26,326,182
Total assets in fair value hierarchy	\$ 33,044,608	\$ —	\$ —	33,044,608
Investments measured at NAV (a)				18,386,276
Investments at fair value				\$ 51,430,884

(a) Includes pooled separate accounts and a collective trust fund which are measured using NAV as a practical expedient and are not classified in the fair value hierarchy. The fair value amounts presented in this table are shown for the purpose of reconciling to the Statements of Net Assets Available for Benefits.

#### 4. Tax Status

The Internal Revenue Service (“IRS”) ruled on March 2, 2015 that the Plan and related trust is in compliance with the applicable requirements of the IRC. The Plan has been amended since receiving the determination letter. However, the Plan administrator believes the Plan is being operated in compliance with the applicable requirements of the IRC and, therefore, believes the Plan is qualified and the related trust is tax exempt.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan. The financial statement effects are recognized when the Plan has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service. The Plan administrator has analyzed the tax positions taken by the Plan and has concluded that as of December 31, 2017 and 2016, there are no uncertain tax positions taken or expected to be taken.

The Plan is subject to audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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Papa John's International, Inc. 401(k) Plan

Notes to Financial Statements

December 31, 2017 and 2016

## 5. Transactions with Parties-in-Interest

Transactions in shares of Papa John's International, Inc. ("Papa John's") common stock qualify as allowable party-in-interest transactions under the provisions of ERISA. The Plan held \$4,130,859 and \$6,718,426 of Papa John's common stock at December 31, 2017 and 2016, respectively. During the years ended December 31, 2017 and 2016, the Plan had purchases of Papa John's common stock of approximately \$409,000 and \$580,000 and sales of \$716,000 and \$681,000, respectively.

At December 31, 2017 and 2016, the Plan held units in various pooled separate accounts and a stable value fund managed by affiliates of Principal Trust Company, the Plan trustee. These transactions qualify as allowable party-in-interest transactions under the provisions of ERISA.

## 6. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participant account balances and the amounts reported in the Statements of Changes in Net Assets Available for Benefits.

## 7. Reconciliation to the Form 5500

The following is a reconciliation of net assets available for benefits from the Form 5500, "Annual Return/Report of Employee Benefit Plan" ("Form 5500"), which is filed with the Department of Labor, to the financial statements:

	2017	2016
Net assets available for benefits per the Form 5500	\$ 65,604,712	\$ 54,839,945
Adjustment from fair value to net asset value as a practical expedient for collective trust fund	6,602	(880)
Net assets available for benefits per the financial statements	\$ 65,611,314	\$ 54,839,065

The following is a reconciliation of net income per the Form 5500 to net increase per the financial statements:

2017	2016
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Net income per the Form 5500	\$ 10,764,767	\$ 8,674,629
Change in adjustment from fair value to net asset value as a practical expedient for collective trust fund	7,482	5,180
Net increase per the financial statements	\$ 10,772,249	\$ 8,679,809

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Supplemental  
Schedules

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Papa John's International, Inc. 401(k) Plan

Schedule of Assets (Held at End of Year)

Form 5500, Schedule H, Line 4i

EIN: 61 1203323, Plan Number: 001

December 31, 2017

Identity of Issuer, Borrower, Lessor, or Similar Party	Description of Investment	Shares Held or Rate of Interest	Current Value
Common stock: *Papa John's International, Inc.	Common Stock	73,621 shares	\$ 4,130,859
Mutual funds:			
Pimco	Pimco Total Return Institutional Fund	108,629 shares	1,115,621
Vanguard Group	Vanguard Target RMT Income INV Fund	16,313 shares	221,045
Vanguard Group	Vanguard Target RMT 2020 INV Fund	119,214 shares	3,740,935
Vanguard Group	Vanguard Target RMT 2030 INV Fund	237,553 shares	7,988,899
Vanguard Group	Vanguard Target RMT 2040 INV Fund	189,919 shares	6,793,390
Vanguard Group	Vanguard Target RMT 2050 INV Fund	124,163 shares	4,494,686
Dimensional Fund Advisors	DFA U.S. Targeted Value I Fund	69,169 shares	1,721,613
Vanguard Group	Vanguard Equity-Income ADM Fund	24,272 shares	1,892,000
Vanguard Group	Vanguard Target RMT 2060 INV Fund	22,723 shares	787,139
Pimco	Pimco Real Return Institutional Fund	13,349 shares	147,642
Franklin Templeton Investments	Franklin U.S. Government Securities R6 Fund	48,167 shares	292,856
Blackrock Advisors, LLC	Blackrock High Yield Bond K Fund	218,520 shares	1,704,457
Blackrock Advisors, LLC	Blackrock U.S. Total Bond Index K Fund	839 shares	8,502
Vanguard Group	Vanguard Small Cap Growth Index ADM Fund	14,397 shares	814,155
			31,722,940
Pooled separate accounts:			
*Principal Life Insurance Company	Mid-Cap Value III Separate Account	6,317 shares	1,039,466
*Principal Life Insurance Company	International Emerging Markets Separate Account	12,337 shares	952,646
*Principal Life Insurance Company	Diversified International Separate Account	24,135 shares	2,392,965
*Principal Life Insurance Company	Large-Cap S&P 500 Index Separate Account	17,174 shares	2,306,714
*Principal Life Insurance Company	Small-Cap S&P 600 Index Separate Account	15,068 shares	952,739
*Principal Life Insurance Company	Mid-Cap S&P 400 Index Separate Account	23,565 shares	1,412,399
*Principal Life Insurance Company	Capital Appreciation Separate Account	183,179 shares	6,111,504
*Principal Life Insurance Company	Large-Cap Growth I Separate Account	166,313 shares	4,883,770
*Principal Life Insurance Company	Mid-Cap Growth Separate Account	53,729 shares	2,824,843
			22,877,046
Collective trust fund:			

**Principal Global Investors Trust Company	Principal Stable Value Z Fund	137,184 shares	2,994,502 2,994,502
*Participant Loans		4.25% to 7.25% per annum	2,371,460 \$ 64,096,807

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\*Represents party-in-interest to the Plan.

\*\* Represents fair value as reported by Principal Trust Company. The accompanying financial statements presents this investment at net asset value.

Cost information not required due to Plan being participant directed.

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Papa John's International, Inc. 401(k) Plan

Schedule of Delinquent Participant Contributions

Form 5500, Schedule H, Line 4a

EIN: 61 1203323, Plan Number: 001

Year Ended December 31, 2017

Participant Contributions		Total That Constitute Nonexempt Prohibited Transactions		
Transferred Late to Plan	Contributions Not Corrected	Contributions Corrected Outside of VFCP	Contributions Pending Correction in VFCP	Total Fully Corrected Under VFCP and PTE 2002-51
\$ —	\$ —	\$ 21,583	\$ —	\$ —

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SIGNATURE

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

PAPA JOHN'S INTERNATIONAL, INC. 401(k) PLAN

Date: June 26, 2018 /s/ Joseph H. Smith  
Joseph H. Smith  
Senior Vice President, Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number	Description
23.1	Consent of Independent Registered Public Accounting Firm