

W U T I S



Equity Research Division

Papa John's International, Inc. US Pizza Delivery Staple

Target Price: 91.17 USD

Current Price: 101.78 USD

Downside Potential: -10%

Recommendation: SELL

Investment Horizon: 3 Years

Vienna, June 10th, 2021

Team – Overview

Equity Research



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- Task distribution
- Story guideline
- Valuation



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Associate

- Industry Group Analysis
- Peers Analysis
- Supply Chain



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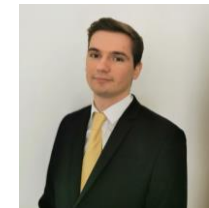
- Business Model
- Strategy
- Supply Chain



**Sebastian
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- BSc. (WU)



- BSc. (WU) 3rd Sem.



- BSc. (WU) – 2nd Sem.



- BSc. (WU) – 6th Sem.



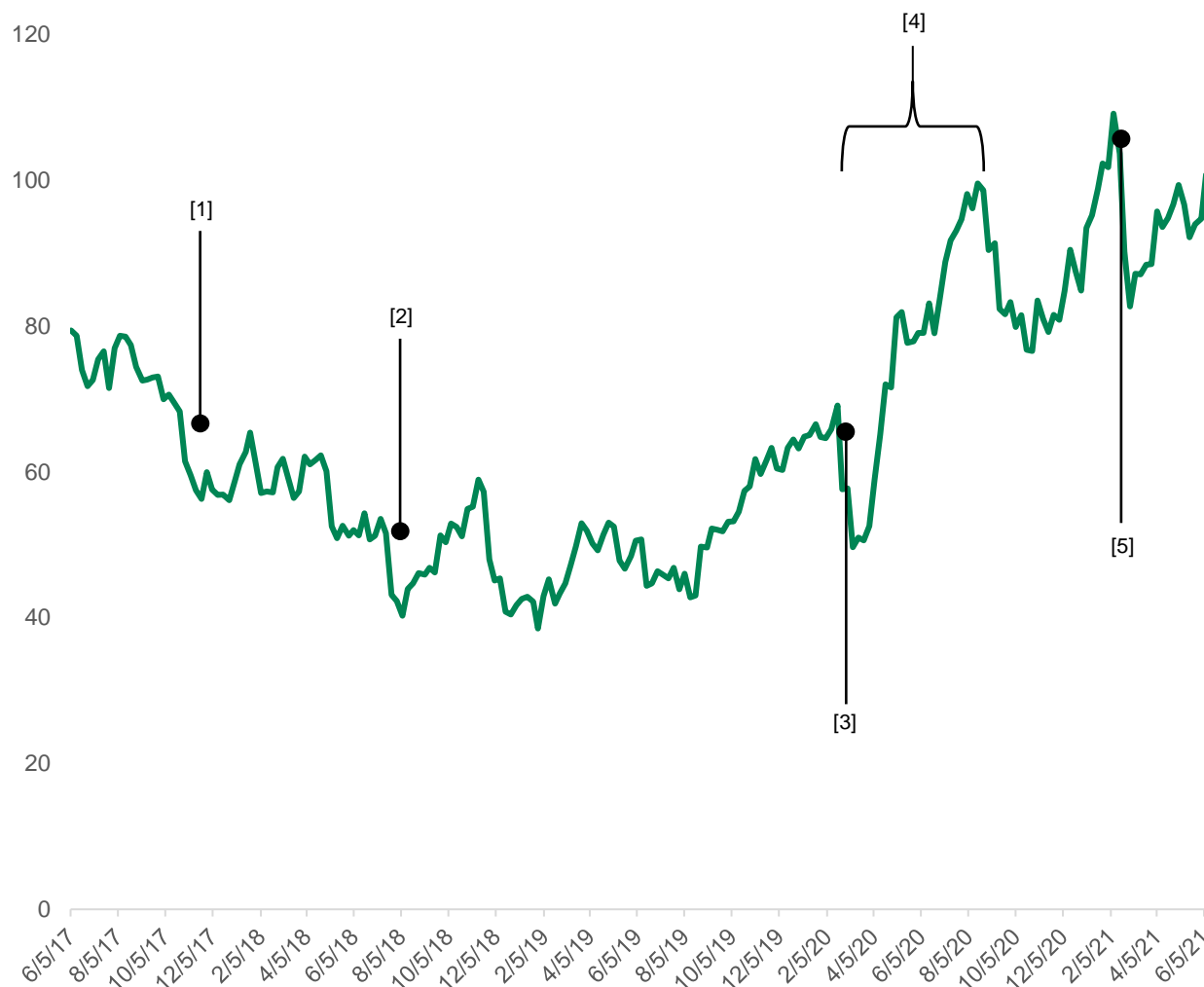
- MSc. (UoV) – 4th Sem.

Agenda

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Share Price Performance

A volatile stock performance in recent years which was rattled by the management scandals



Share price – Major Events

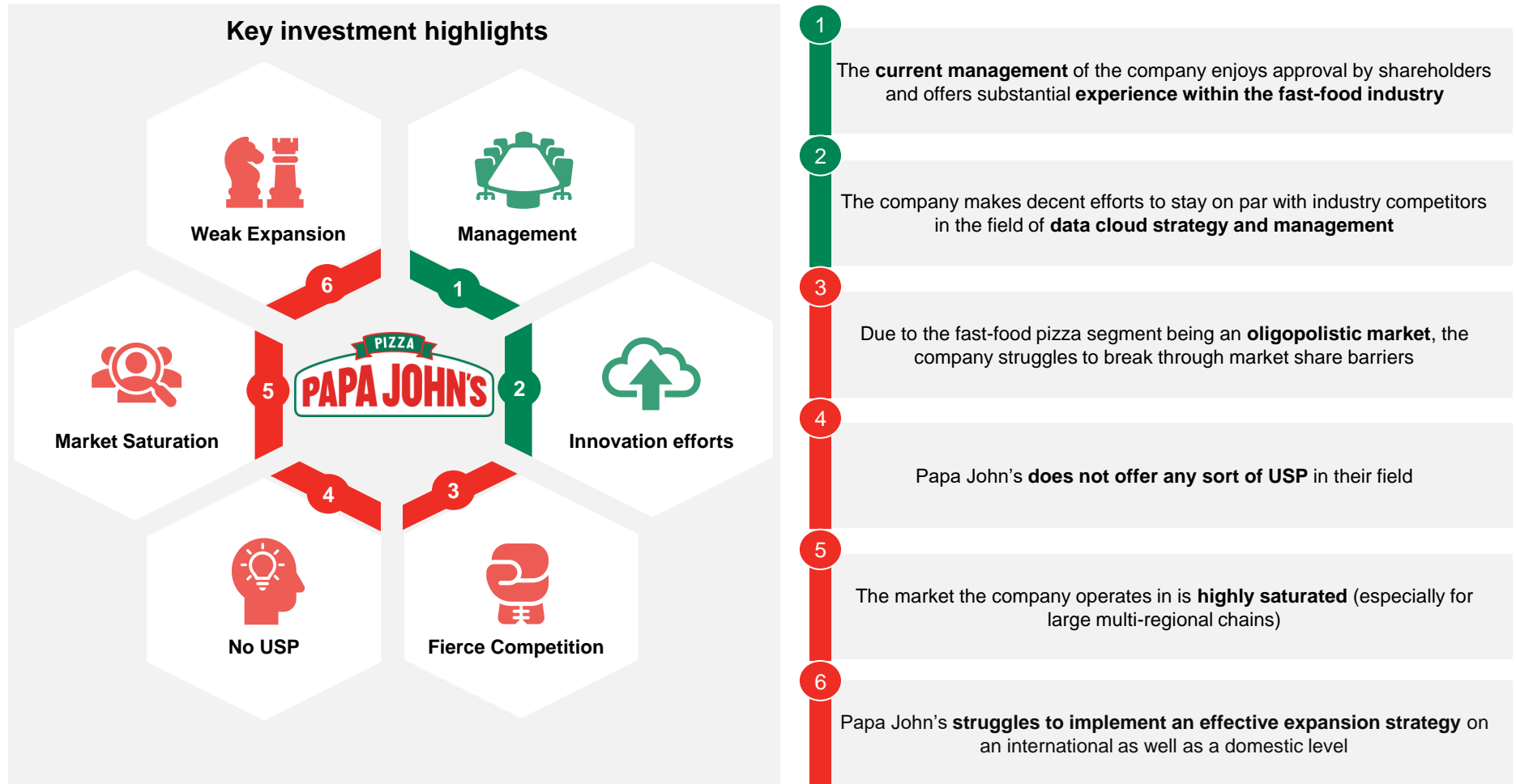
- [1] 01.11.2017 (-17.6%) – John Schnatter **criticizes the National Football League's** handling of players protesting racial inequality and claims the polarization of the country is hurting Papa John's sales
- [2] 19.07.2018 (-21.6%) – Forbes publishes an article regarding **racial slurs** ("n-word") made by John Schnatter during a conference call. He resigns as chairman of the company
- [3] February 2020 (-49.3%) – **COVID-19** hits the US markets and wipes out half of Papa John's market capitalization within weeks
- [4] April – August 2020 (97.7%) – The company manages to overcome the stock fall and profit off higher demand for fast-food delivery, driven by **remote working and restaurant closures**
- [5] 08.02.2021 (-24.2%) – After reaching an all-time high at the beginning of February, the stock falls after trading **ex-dividend**

Key stats

- 52 Week Range: 73.12 – 110.33
- Avg Volume: 413,257
- Market Cap: 3.19 B
- Shares Outstanding: 33.08 M
- Beta: 1.04

Investment Thesis

Due to a lack of effective marketing and expansion the company struggles to stand out



A large pepperoni pizza is the central focus, resting on a dark, textured surface. To its right, a small white bowl contains a yellow dipping sauce, and a single pepperoni pepper lies next to it. A semi-transparent grey banner is overlaid on the bottom half of the image, containing the text.

Papa John's International

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Business Description

Company Overview

W U T I S

An established player in the QSR¹ industry heavily impacted by management scandals

Company description



- America's **4th largest** fast-food company in the pizza segment



- Current company headquarters in **Louisville, Kentucky** (founded in Jeffersonville, Indiana in 1984)



- 130,000 employees** worldwide associated with business (16,700 excluding franchise employees)



- Over **5,400 locations worldwide**, 588 are company-owned (more than 2,100 international locations)



- IPO: **June 1993** with 1.55 million shares issued at \$13 per share

Management board



Robert Lynch
President &
Chief. Executive
(since 2019)



Marvin Boakye
Chief People and
Diversity Officer
(since 2019)



Amanda Clark
Chief Development
Officer
(since 2020)



Jim Norberg
COO,
North America
(since 2019)

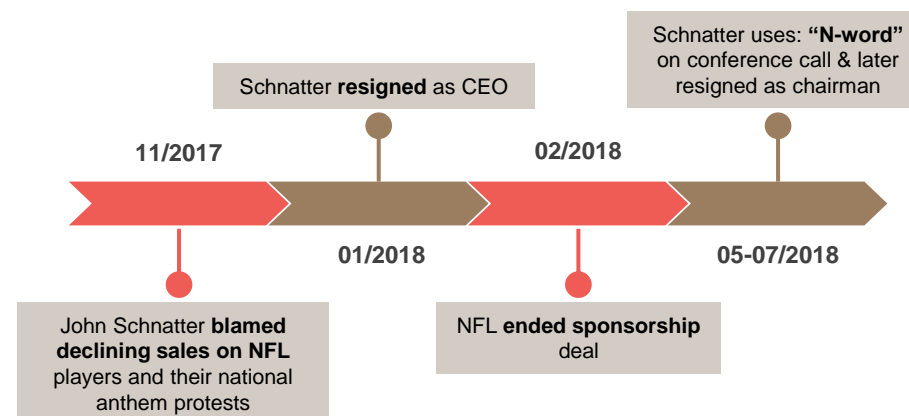


Management has **long-time experience in QSR Industry**.

Key financials

US-Dollar in millions	FY 2018	FY 2019	FY 2020	Q1 2021
Revenue	1,662.9	1,619.2	1,813.2	511.7
Revenue Growth (%)	(6.8%)	(2.6%)	12%	24.8%
EBITDA	78.0	71.8	140.0	59.7
CAPEX	42.0	37.7	35.7	7.0
Net Income	2.5	4.9	57.9	33.9
Leverage Ratio	1.2	3.5	2.4	2.0

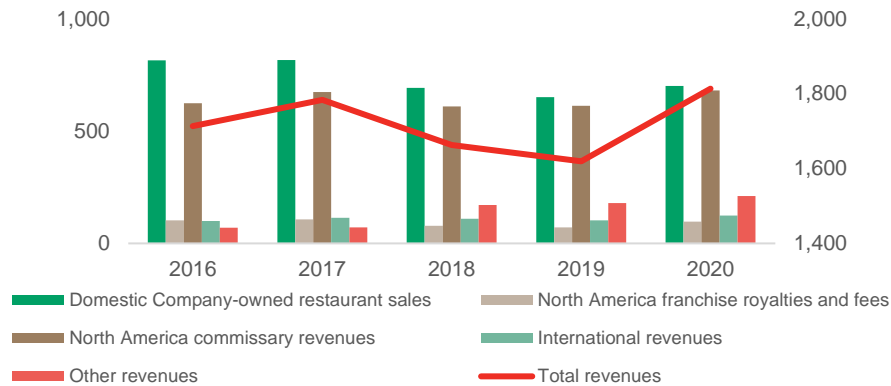
Founder & former CEO John Schnatter



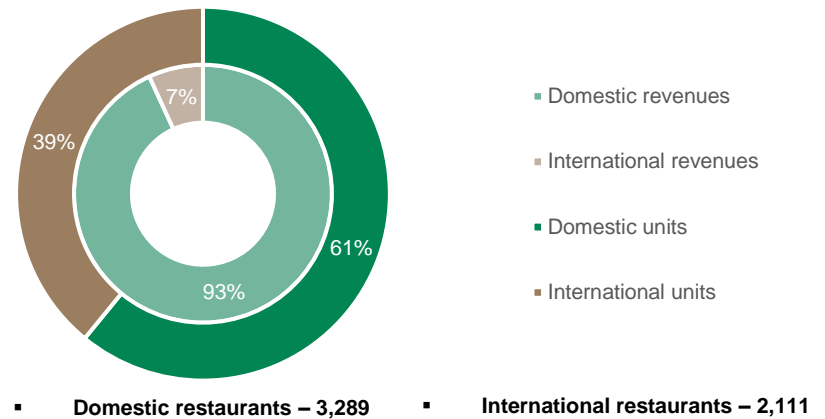
Business Model

Commissaries and Franchisees are the key pillars of Papa John's business model

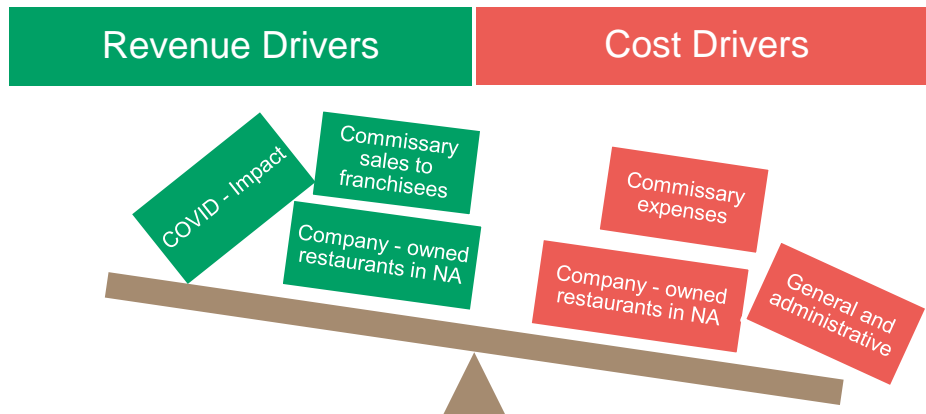
Historical revenues by segment (in million US-Dollars)



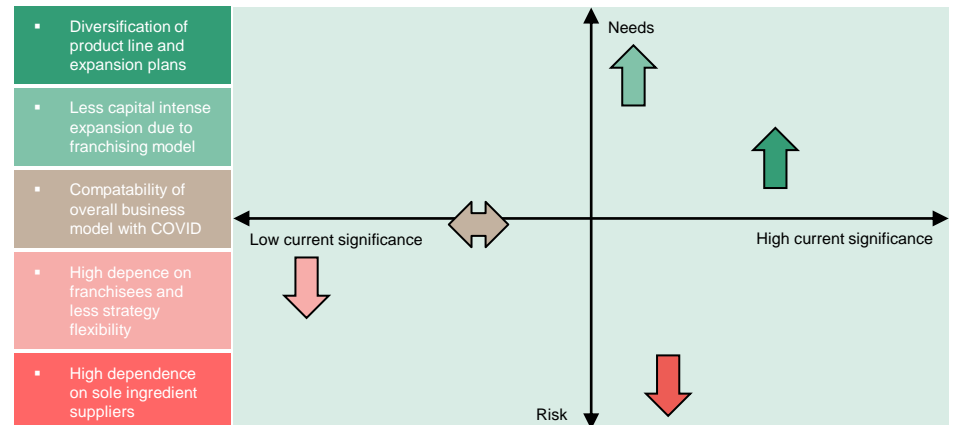
Domestic vs. International revenues and locations



Revenue and cost drivers



Risks and needs regarding business model



Strategy

Weak selling propositions and innovation efforts accompanied by an ordinary pricing strategy

USP and marketing



Company does **not** offer a visible **USP** or **layed out marketing strategy!**



Similar product portfolio as competitors (also non-distinguishable!)



Better ingredients, better pizza ? → (shift of customer preferences towards healthier options)











Although, proven to be of value in the past, no current large **sponsorships** (e.g., National Football League)

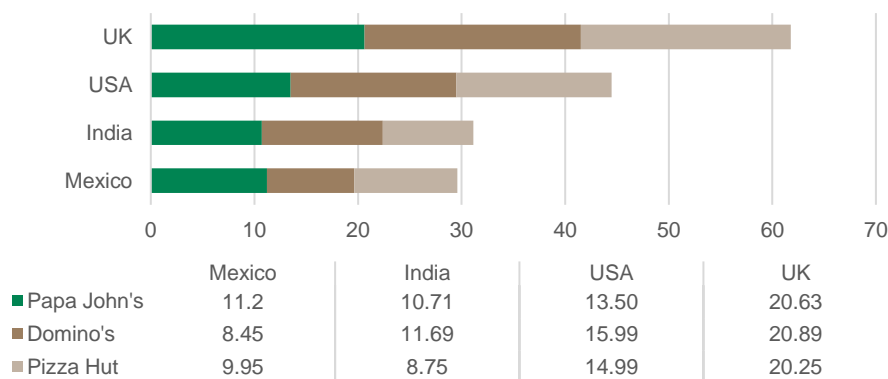


Only positive: efforts with **mobile app**; good ratings and popularity and efforts for better data management

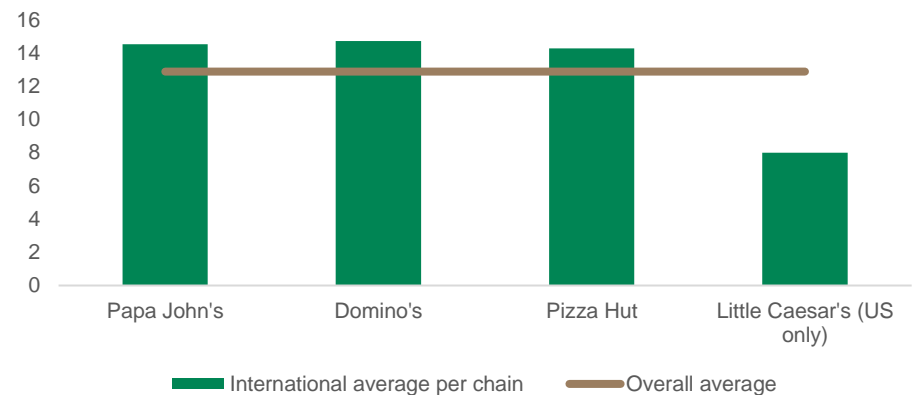
Expansion and innovation strategy

Geographical Expansion	Management & Representation	Technological Innovation	Distribution Channels
Europe 	Management 	Data Management 	Delivery channels 
Asia 	Public Perception 	Accessibility 	Eat in 

Price of a large Pepperoni Pizza by country (in US-Dollars)

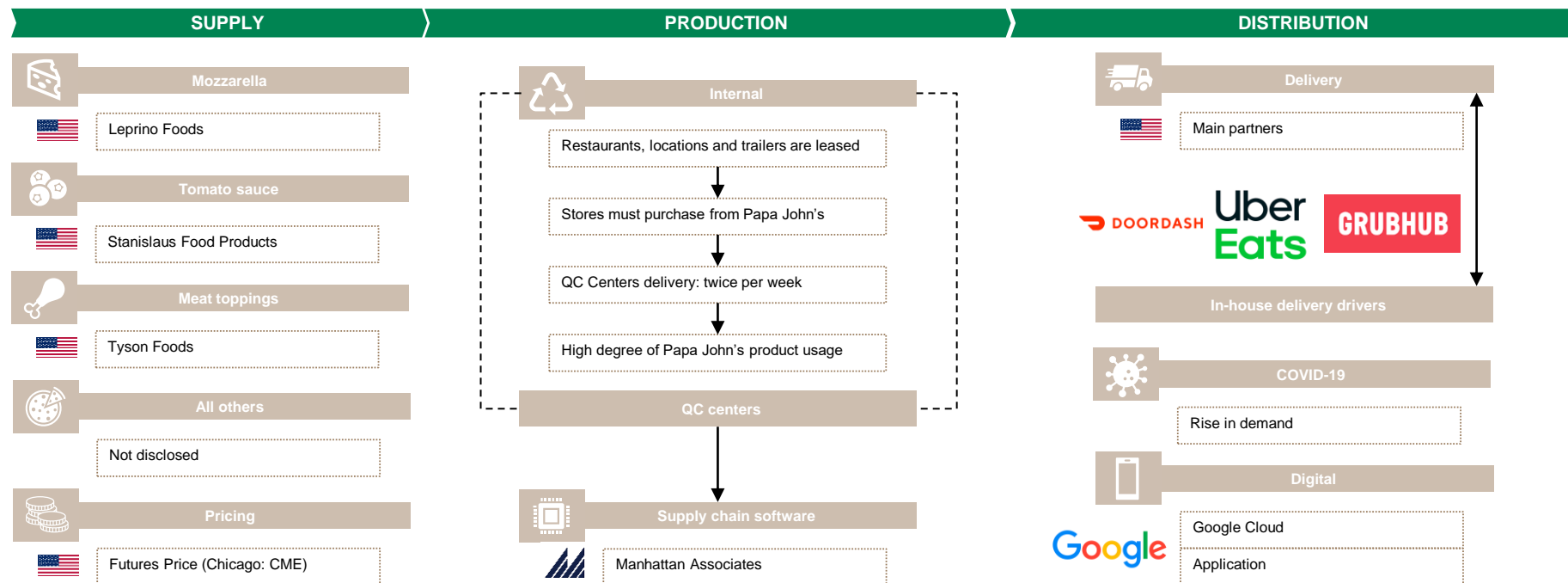


Price of a large Pepperoni Pizza by chain (int. average in US-Dollars)

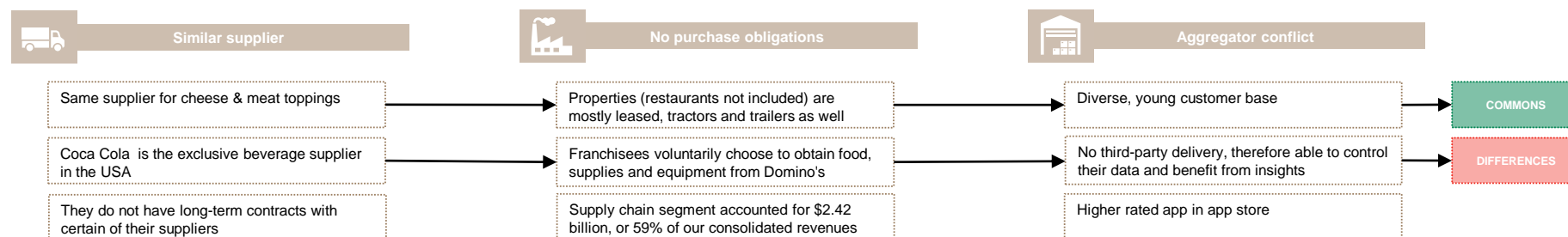


Supply chain

The internal supply chain is an integral part of Papa John's business model



COMPARED TO DOMINO'S





Papa John's International

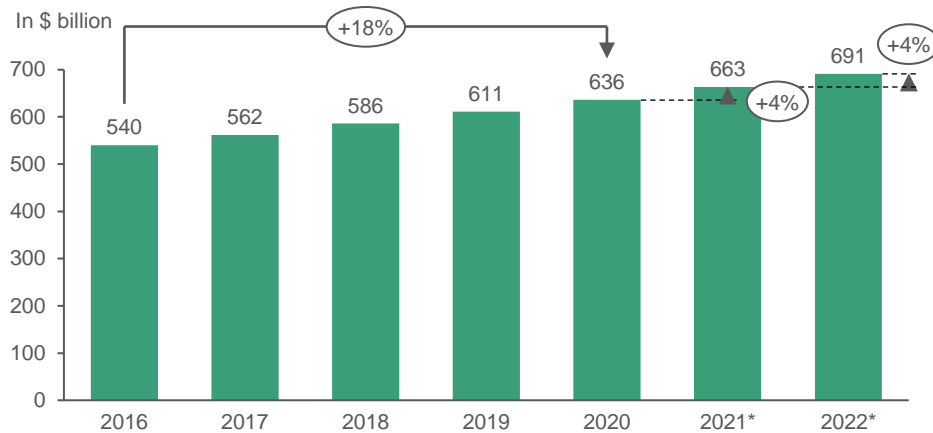
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Market and Industry Overview

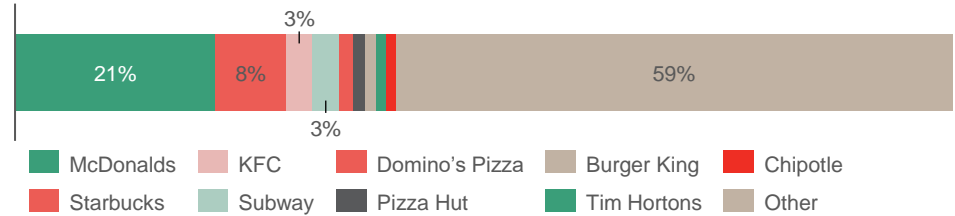
Industry & Market Overview I

Fast-food industry is expected to grow constantly while pizza industry will stagnate

Global fast-food market revenue

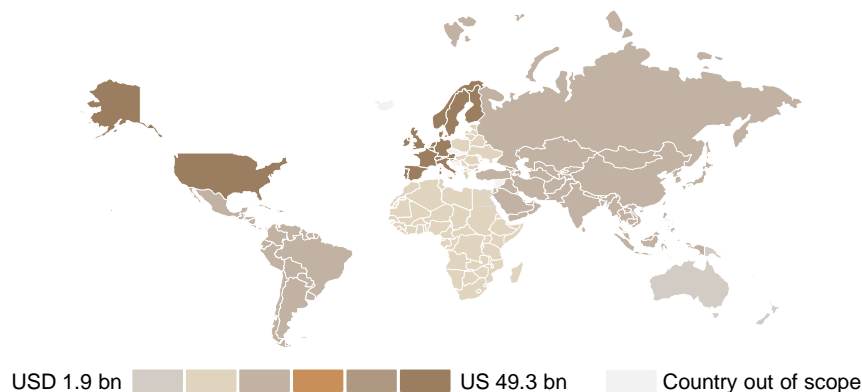


Global fast-food market revenue by brand

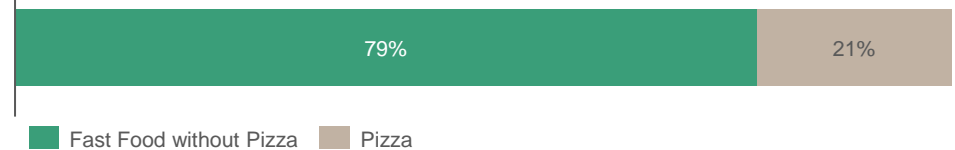


McDonald's is dominating the market, while **pizza chains do not play a crucial role**

Pizza sales worldwide per country



Pizza in % of total fast-food market



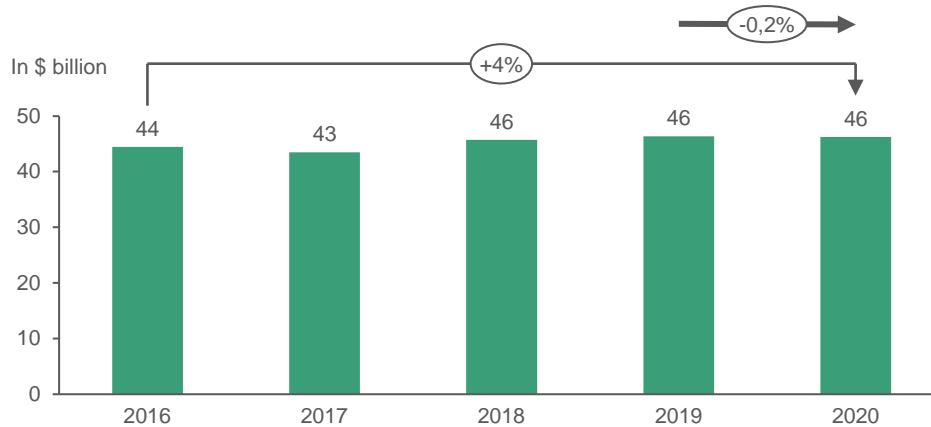
The **pizza market** comprises around a **fifth** of the the **overall fast food market**

Industry & Market Overview II

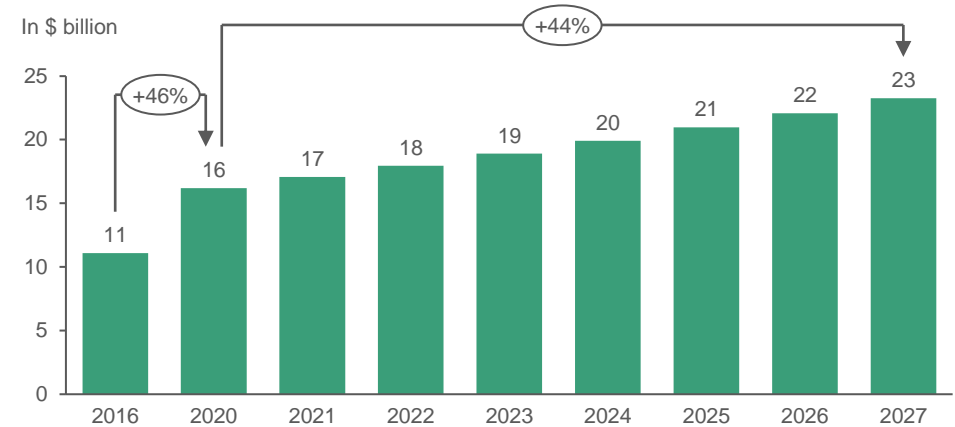
W U T I S

Stagnating growth in North America and demand for frozen pizza is growing

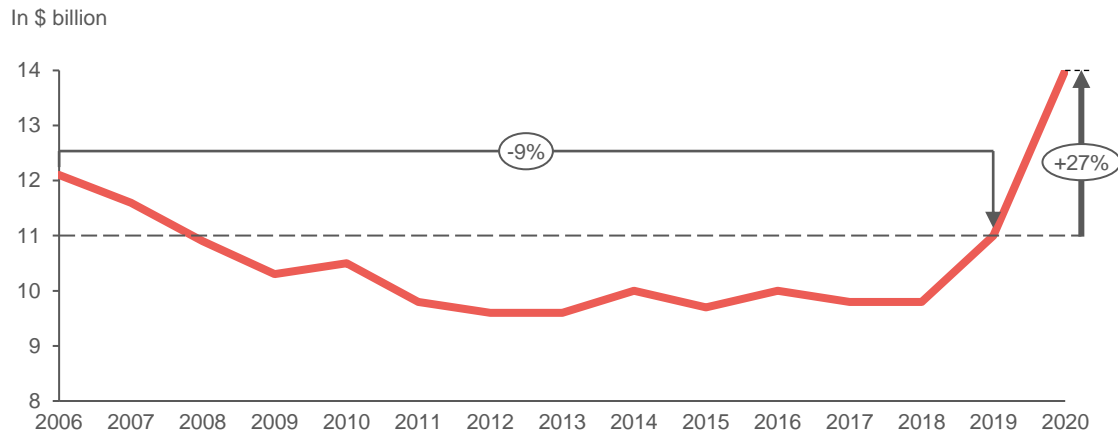
USA Pizza sales growth rate



Global frozen pizza market



Consumer spending on pizza delivery



Food delivery CAGR between 2017 – 2019 of 10%, while for **pizza delivery only 6%**



Main **concern** for food delivery: **Unpredictable demand** putting extra pressure on kitchen

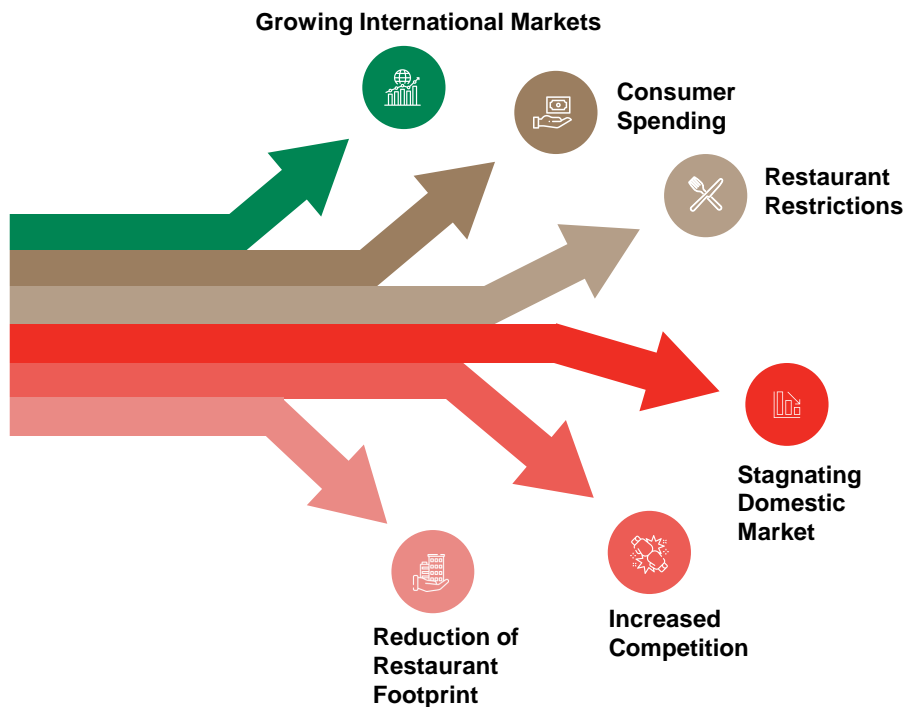


Conclusion: Consumer **spending declining for past 15 years** and between 2019 – 2020 Covid-19 related increase

Industry & Market Trends

Market trends indicate a stagnant domestic market, growth potential remains internationally

Market growth drivers, brakes & market trends



Growing International Markets

There are extensive growth **opportunities** for fast food chains in **China, India, and UK**



Consumer Spending

Consumer **spending** is **returning** to **pre-coronavirus levels**, meaning that people are more likely to spend less on fast food



Restaurant Restrictions

Delivery-first pizza franchises benefit from dine-in restrictions, i.e. **increasing demand for delivery** fast food



Stagnating Domestic Market

The north-American pizza market has remained at **similar levels** in recent years



Increased Competition

There is a highly competitive landscape in the pizza industry with **Domino's leading the industry**



Reduction of Restaurant Footprint

Multiple franchised **stores** have been **closed** in recent years across both domestic and international markets

Market Overview

Domino's is already dominating the markets in the US, UK and India

North America



- North-American pizza **market is stagnating**
- 2nd largest market** in the world & pizza market worth \$ 48.6 billion
- Through 3rd party delivery **independent restaurants most likely to gain market share**
- Domino's is the market leader and has a clear expansion strategy compared to Papa John's

United Kingdom



- Pizza is now the **fastest growing dish out-of-home** and one of the top three UK menu items
- Pizza market worth \$ 6.9 billion, delivery market worth around \$ 3 billion
- Food delivery market worth \$ 5.98 billion and **expected CAGR of 5.56%** (2021-2024)
- Domino's is the market leader

India



- Pizza is one of the **fastest growing food** segments in India
- Pizza market worth \$ 1.5 billion & food delivery market worth \$ 10,17 million and **expected CAGR of 7.94%** (2021-2024)
- Due to increasing access to high-speed internet & growing **working population propelling growth** rate expected
- Papa John's has not entered the market yet, Domino's is constantly expanding

China



- Pizza market is expected to have a **CAGR of around 8%** until 2027
- Great opportunity and **scaleability in China** compared to other countries
- New generations in China become more familiar with Pizza – **dairy perception changing**
- Domino's focus is on pizza delivery while competitors focus on dine-in



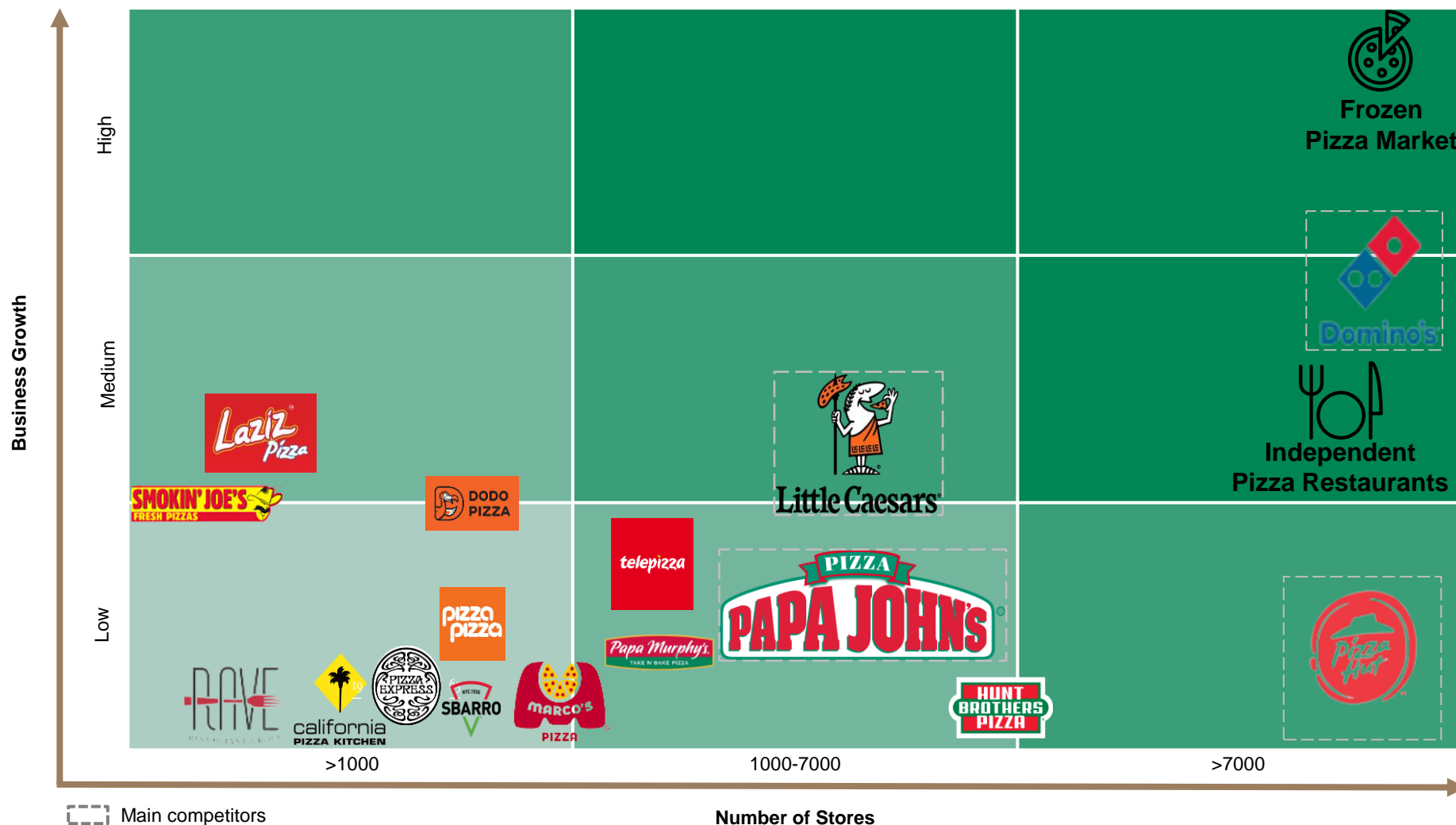
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Peer Analysis











































Competitive Landscape

Low business growth estimated for most pizza players, except for Domino's



Qualitative Peer Metrics

Papa John's has similar metrics as its competitors and is not able to differentiate themselves

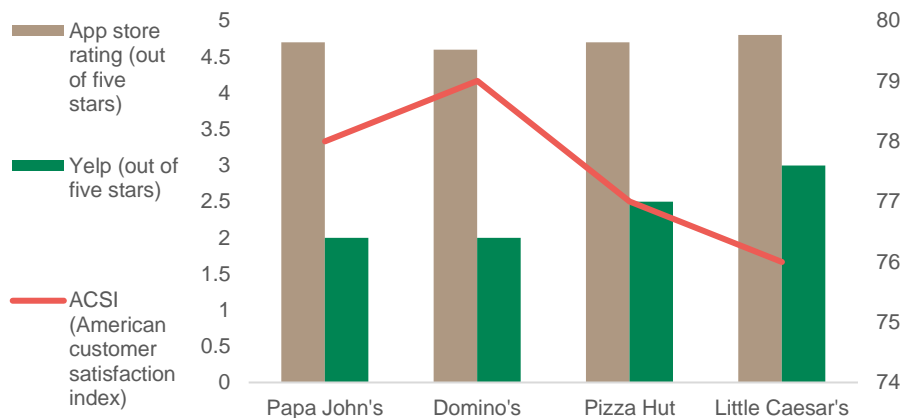
Metrics		Papa John's	Domino's	Pizza Hut	Little Caesars Pizza	Papa Murphy's
 14inch Pepperoni Pizza less than \$13						
 Own delivery system						
 3rd party delivery						
 Innovative way to order						
 Represented in more than 25+ countries						
 Focus merely on QSR serving pizza						
 Dine-in important for business model						

 USA  Main competitors

Major Peer Overview

Domino's outperforms Papa John's and other competitors in most metrics

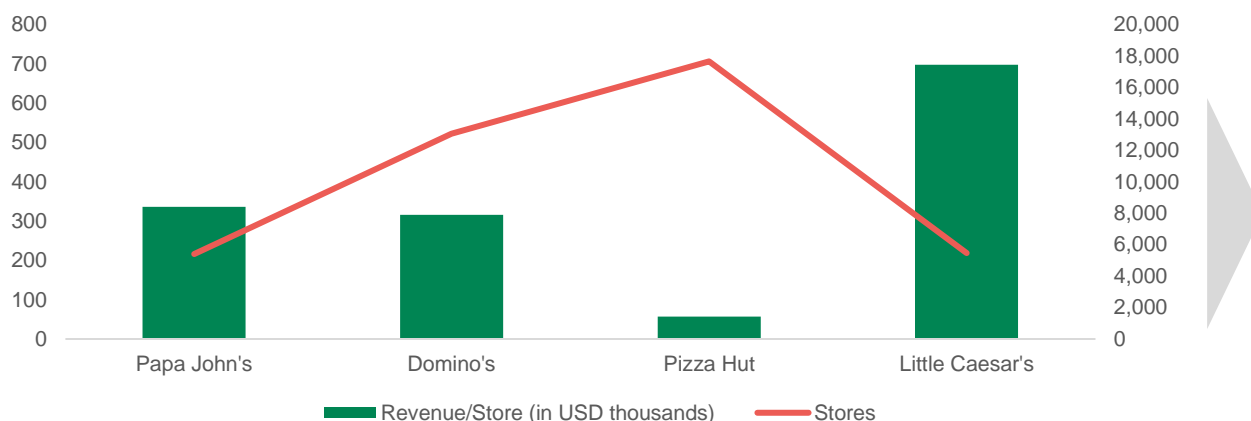
Customer satisfaction



Employee satisfaction (Rating from 1 – 5)



Revenue per unit and relation to total number of stores



- **Papa John's and Domino's** show very **similar** revenue per unit, which is most likely due to their similar business models and **pricing strategies**
- Although **Pizza Hut** is comparable to pricing, their store count is **higher** due to a larger emphasis on **eating in**
- **Little Caesar's** shows entirely **different** results when looking at this metric, due to the fact that their **prices are much lower** than those of their main competitors, growing their product offerings in popularity

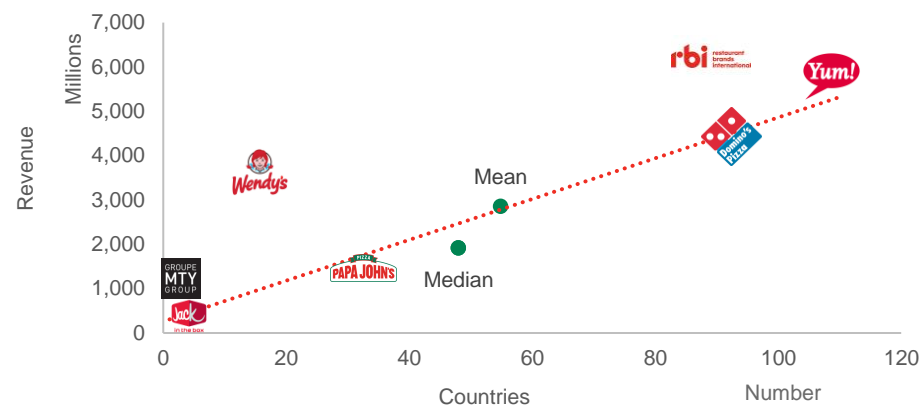
Key Ratios of the Industry

A favorable higher proportion of franchise locations is better exploited by main competitors

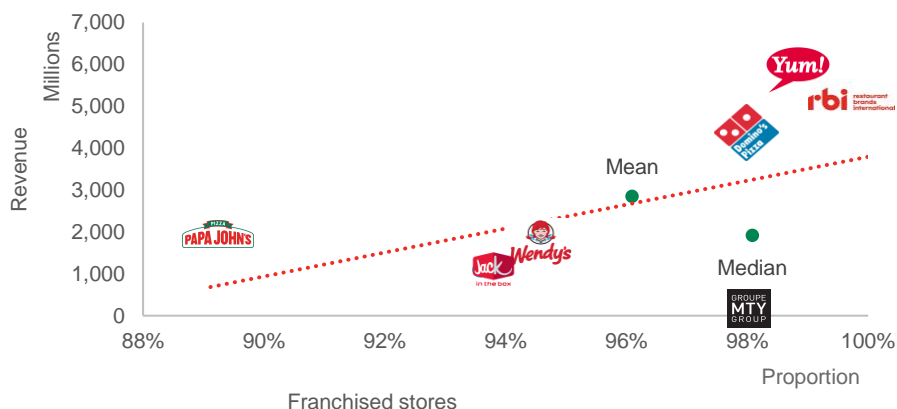
Correlation between metrics

1) Revenue and geographies	Strong correlation	<ul style="list-style-type: none"> A stronger and more diversified reach will allow a restaurant to capitalize off a larger customer base
2) Revenue and franchises	Moderate correlation	<ul style="list-style-type: none"> The amount of franchised stores within a corporation seems to correlate positively with revenue. This could be due to more cost efficiency and less capital intense expansion
3) Revenue and employees	Weak correlation	<ul style="list-style-type: none"> We believe that the reason for a non-obvious correlation between the amount of employees and revenue is due to the larger dependence on the type of business model

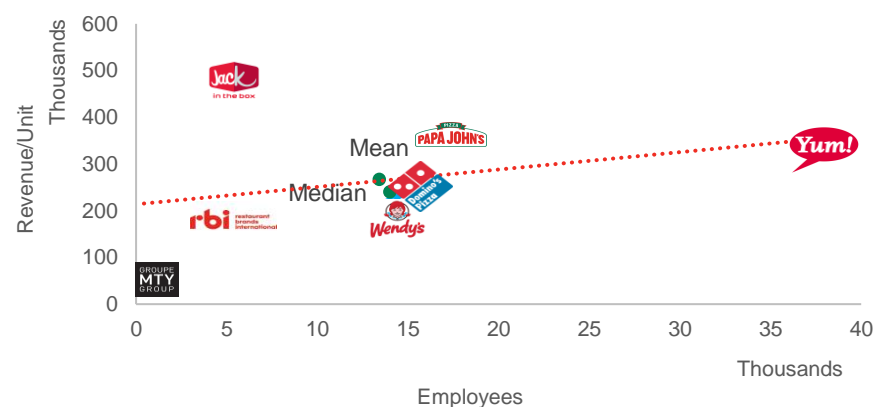
1) Revenue plotted against countries the company operates in



2) Revenue plotted against proportion of franchised stores



3) Revenue/Unit plotted against global non-franchise employee

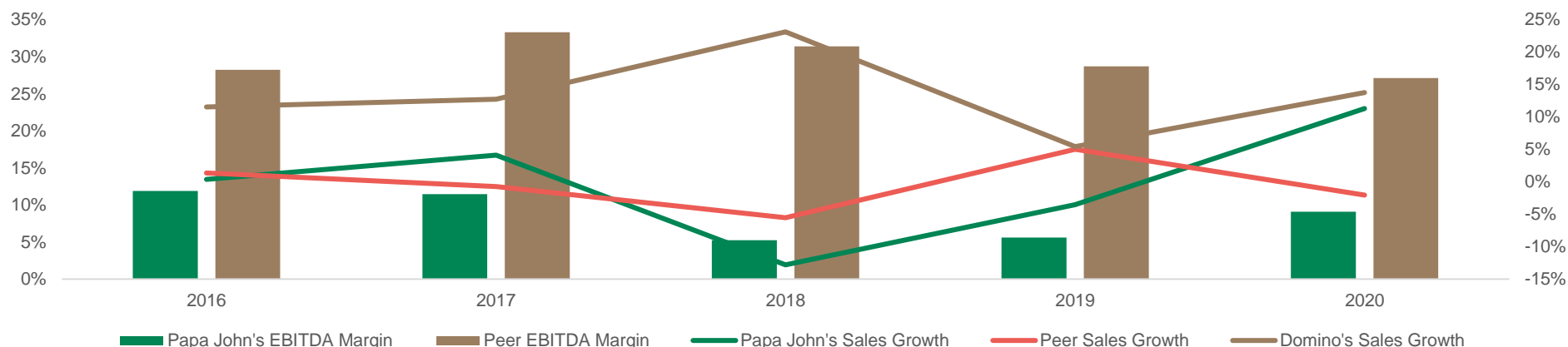


Financial Analysis I

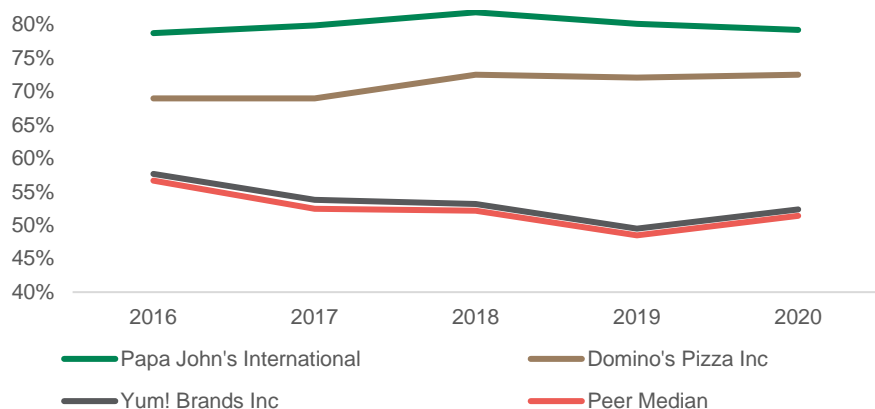
W U T I S

Papa John's shows clearly weaker financial metrics than Domino's and other peers

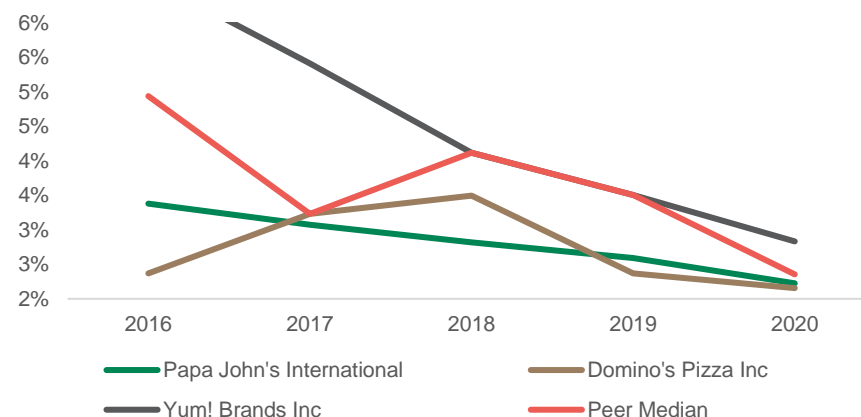
Sales growth and EBITDA Margin



COGS as a % of revenue



CAPEX as a % of revenue

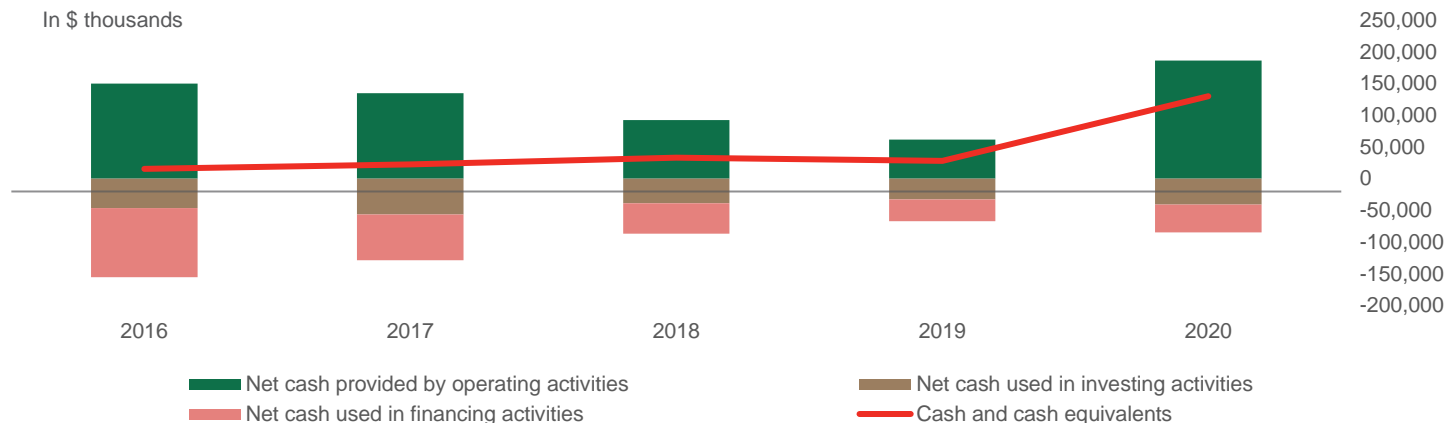


Financial Analysis II

Significant increase in cash cannot be fully utilized

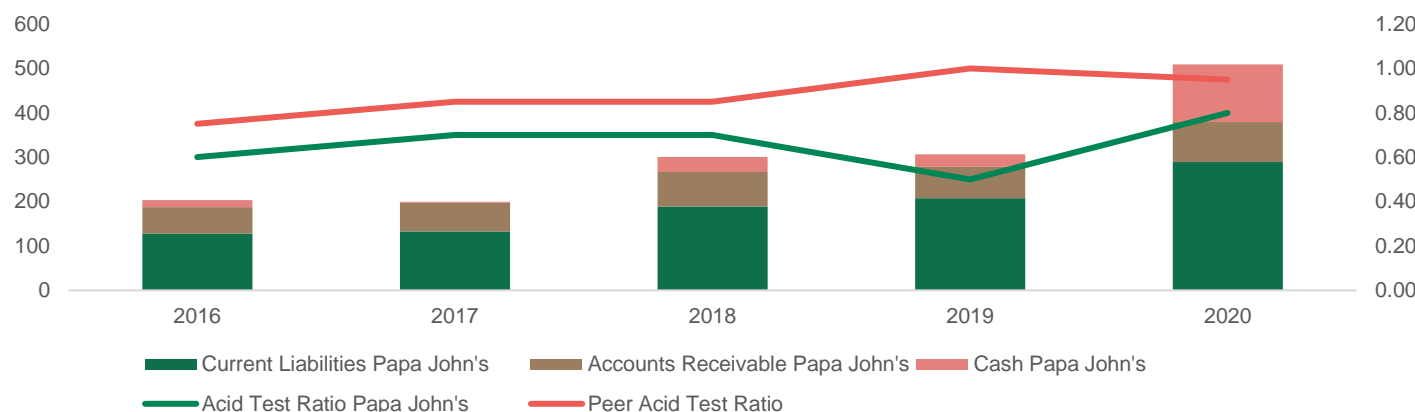
Cash flows activities and cash

In \$ thousands



- Cash increase in 2020 due to high cash from operating activities in particular **accrued expenses and other current liabilities** and **net income** in comparison to other years
- High net income as a result of a very successful year driven by **increased demand for delivery pizza** positively impacted by **Covid-19**

Acid test ratio (in million US-Dollars)



- Acid test ratio **rose** closer to the peer median due to **increase in cash and cash equivalents**
- It was **low** in past years due to **high accrued expenses**
- If Papa John's wants to maintain **healthy liquidity** it **won't be able to invest much of its cash**



Papa John's International

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Valuation

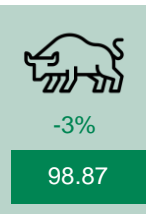
Scenario Analysis

Changes in market share will determine future performance of Papa John's

01

Bullish Scenario

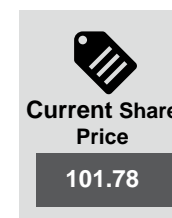
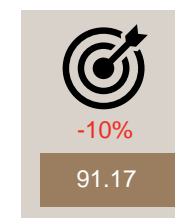
- Increased ability of Papa John's to **capture market share**
- **Smaller and struggling players** forced out of the market due to the fierce competitive environment
- **22% increase in market share** for Papa John's



02

Base Scenario

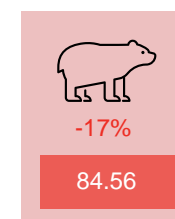
- **Strong performance in 2021** following recovery from the current pandemic
- Most financial and operational indicators experience a **reduction in growth rates from 2022 onwards**
- Domestic and international dominance of Papa John's **core competitors**



03

Bearish Scenario

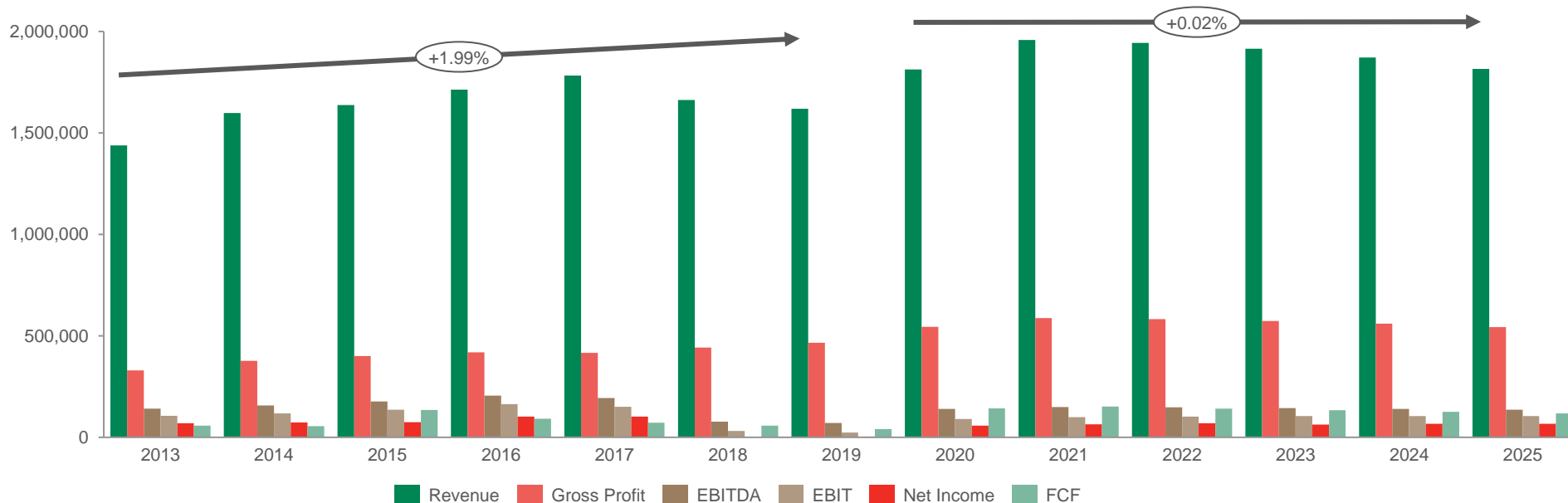
- Consistent **loss in domestic and international market share** to Domino's
- **Negative trends** in the pizza service industry
- Losses in market share Papa John's leads to **closure of stores resulting in worsening revenue streams overtime**



DCF Analysis

Operating assumptions and revenue drivers lead to an unexceptional financial performance

Key forecasted financials (in million US-Dollars)



Operating assumptions



Revenue: Despite strong FY21, Papa John's fails to capture necessary market share to increase revenue overtime



Gross Profit: Expected closure of stores in the long run lead to a slight increase in COGS as % of revenue with a CAGR of 0.4%



Market: Domestic market remains stagnant, while international expansion plans are unsuccessful

Key top-line drivers



Peer's performance: Industry growth of 0.4% from 2016 to 2020, incl. Domino's, Pizza Hut



Market trends: Highly correlated domestic and international trends, incl. demand for fast food, consumer spending, delivery innovation

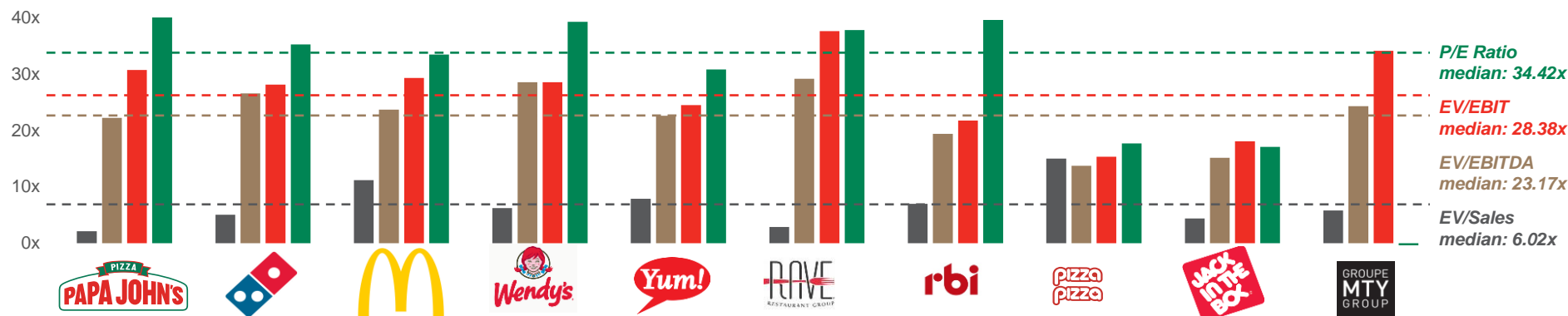


Historical performance: Papa John's 8-year financial performance and growth rates

CCA Analysis

W U T I S

Papa John's is currently trading slightly below the market



Peer Companies	Country	Currency	Enterprise Value (mn)	EV/Sales	EV/EBITDA	EV/EBIT	P/E Ratio
Papa John's Intl. Inc.	US	USD	4,047	2.11x	22.26x	30.78x	40.36x
Domino's Pizza Inc.	US	USD	21,304	5.04x	26.60x	28.17x	35.32x
McDonald's Corporation	US	USD	219,548	11.19x	23.70x	29.35x	33.52x
The Wendy's Company	US	USD	9,019	6.24x	28.59x	28.59x	39.30x
Yum! Brands Inc.	US	USD	46,408	7.90x	22.64x	24.53x	30.87x
Rave Restaurant Group Inc.	US	USD	22	2.88x	29.21x	37.66x	37.86x
Restaurant Brands International Inc.	US	USD	35,039	7.00x	19.43x	21.76x	39.66x
Pizza Pizza Royalty Corp.	CA	USD	379	15.03x	13.76x	15.34x	17.71x
Jack in the Box Inc.	US	USD	4,816	4.41x	15.15x	18.11x	17.11x
MTY Food Group Inc.	CA	USD	2,288	5.80x	24.35x	34.16x	-42.67x
Median			6,918	6.02x	23.17x	28.38x	34.42x
Average			34,287	6.76x	22.57x	26.84x	24.90x



Papa John's International

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Risk Analysis and Catalysts

Company Specific Risks

Reversal of Covid impact and shift towards local independent restaurants threaten Papa John's

- O1

Dependency on suppliers – suppliers such as Leprino Foods pulling out of the market could devastate Papa John's supply chain
- O2

Failure to take advantage of aggregators – Papa John's might fall behind competition due to cost inefficiency and capacity management
- O3

Increasing cash conversion cycle - an increase in Papa John's cash conversion cycle could hurt relations and payment schedules
- M1

Reversal of COVID impact – seeing as COVID-19 heavily affected Papa John's sales numbers, a fall-off in demand would hurt them
- M2

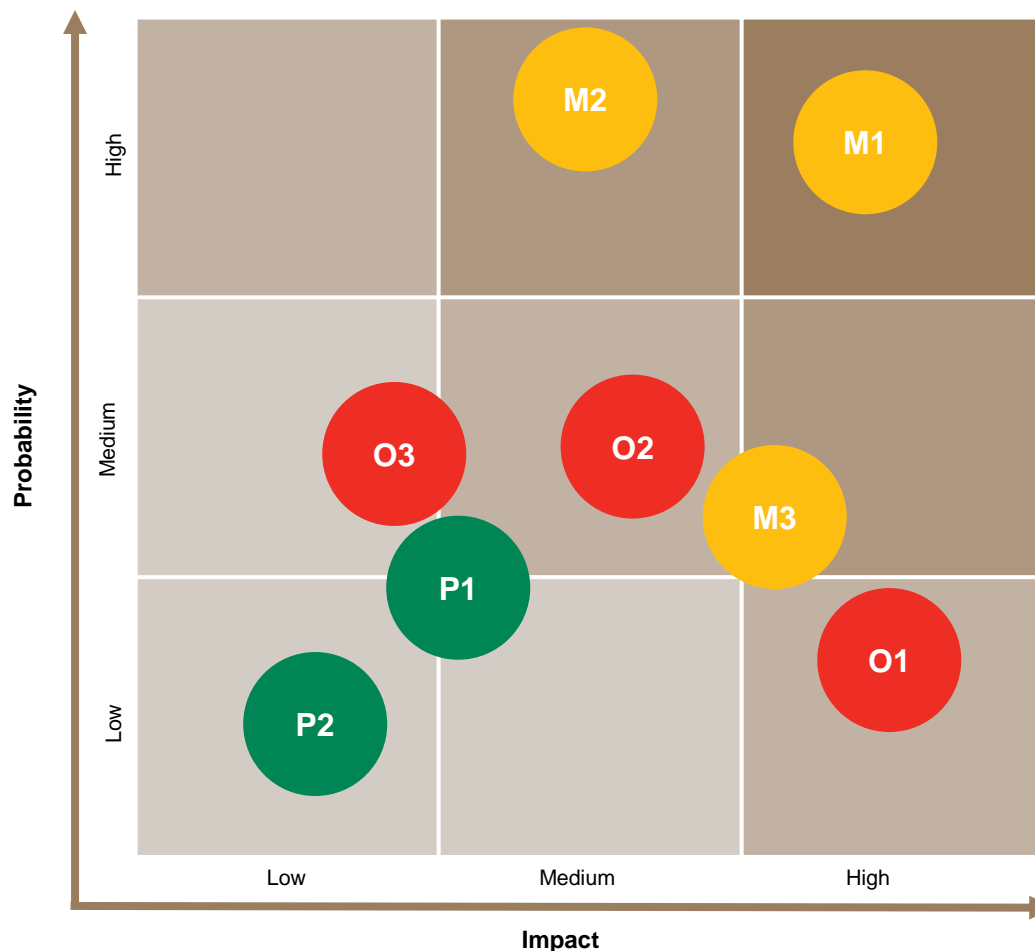
Independent restaurants – smaller, independent restaurants or local chains might take market share from the big players
- M3

Large players entering pizza space – fast food corporations that so far have not moved into the pizza space might be looking to do so
- P1

Shift towards local chains – communities might develop a preference for smaller competitors, hurting PZZA's market share
- P2







Perception of unhealthy food options – trends towards healthier fast-food options, away from pizza, leave Papa John's in the rain

Operations / Financials (O) – Market (M) – Public perception (P)



Catalysts

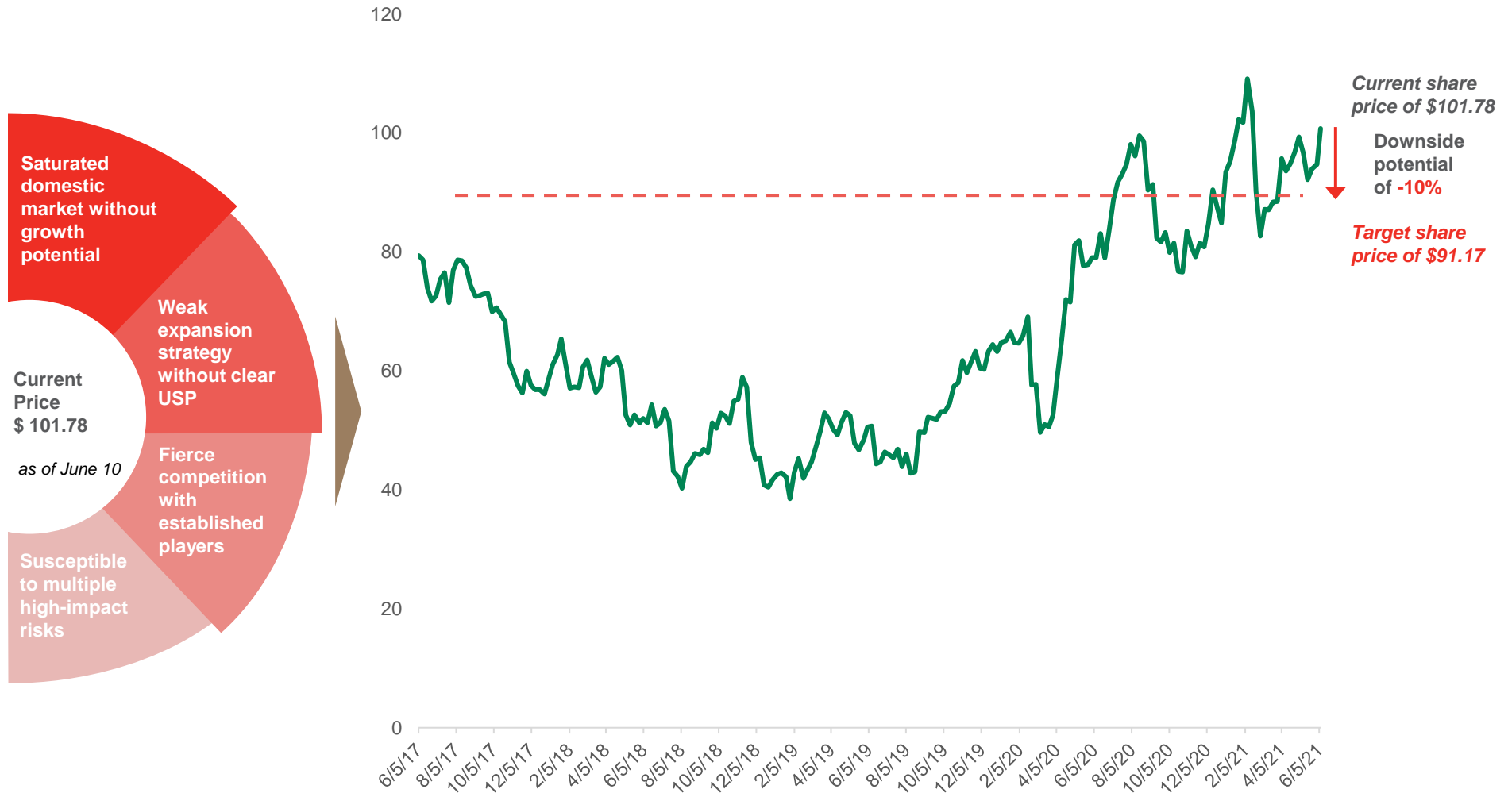
A wide array of catalysts could further propel the share price downwards

Catalyst	Type	Estimated impact on share price
Founder and former CEO - John Schnatter	Hard	<ul style="list-style-type: none"> Risk for another PR scandal, still interferes with company operations 
Sponsorship	Hard	<ul style="list-style-type: none"> Possibility to lose sponsorships or close new one like the NFL sponsorship 
Consumer spending on delivery	Soft	<ul style="list-style-type: none"> Consumer most likely to spend less on delivery after Covid-19 
Chinese government interventions	Soft	<ul style="list-style-type: none"> Due to Chinese regulatory changes threatened market positions 
Prices of primary products and commodities	Soft	<ul style="list-style-type: none"> Heavily dependent on primary products due to nature of pizza itself 
Covid-19 – third wave	Soft	<ul style="list-style-type: none"> Increased number of deliveries due new wave like in 2020 

Conclusion – Sell

W U T I S

Challenging competitive environment makes standing out an impossible task for Papa John's





Papa John's International






















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Appendix A: Management

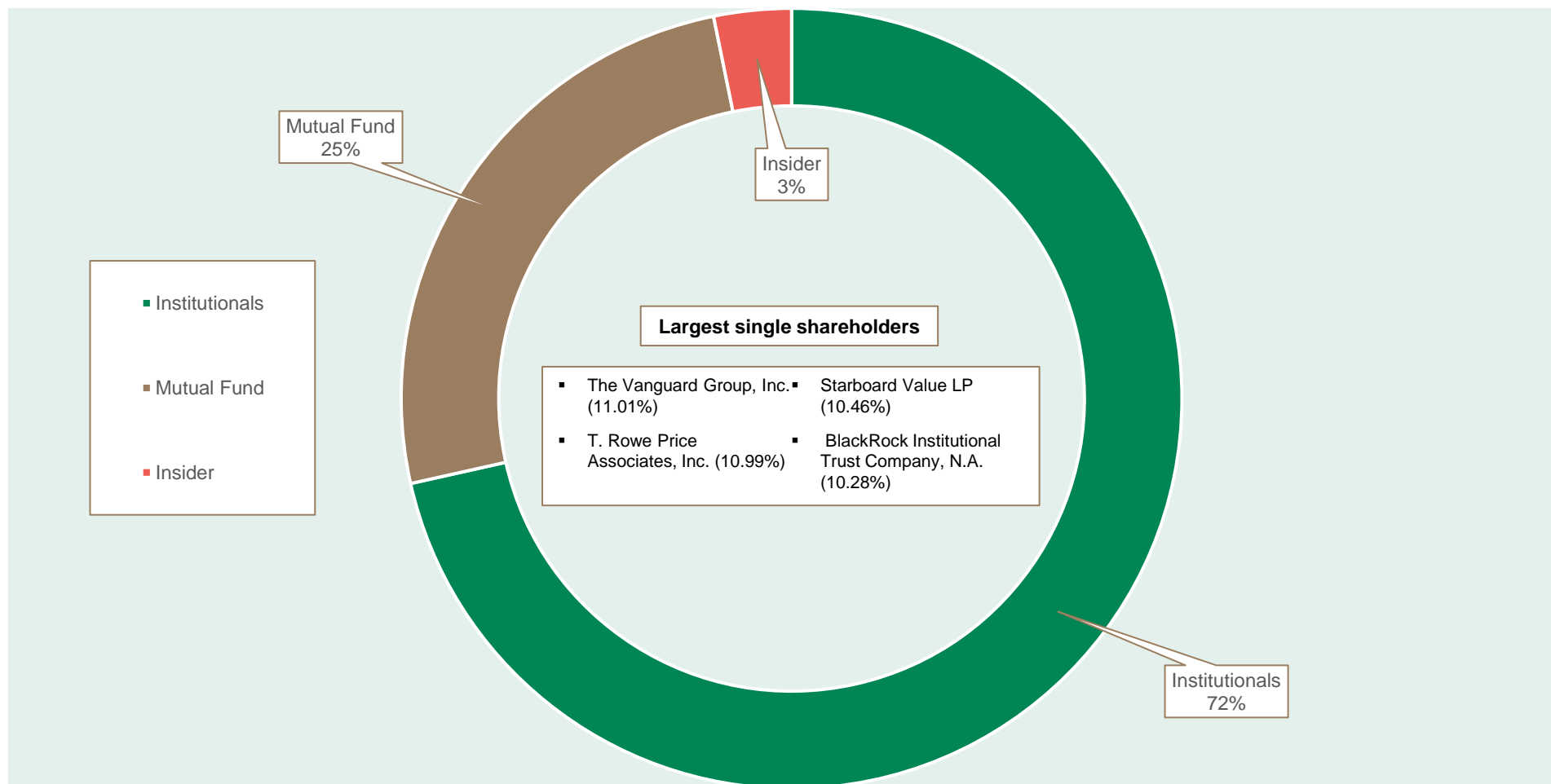
Founder & former CEO was involved in numerous scandals and damaged Papa John's image

1999 & 2009	June 2010	Aug 2012	Nov 2017	Jan 2018	Feb 2018	May/July 2018	Management 2021
 <p>John Schnatter - Accusations about sexual harassment ended with a confidential settlement</p>	 <p>Papa John's becomes the official sponsor of the NFL</p>	 <p>As part of Obamacare, fast-food restaurants are supposed to charge higher prices; John Schnatter protests</p>	 <p>After protests against racial inequality spurred by NFL players, John Schnatter claims they are hurting sales</p>	 <p>After heavy PR-damage, John Schnatter resigns as active CEO</p>	 <p>After aforementioned scandal, the NFL pulls the plug on their sponsorship-deal with Papa John's</p>	 <p>After reports surface that John Schnatter used the "n-word" in a conference call, he resigns as chairman</p>	 <p>Robert Lynch – President & CEO</p> <ul style="list-style-type: none"> President Arby's VP Marketing Taco Bell  <p>Marvin Boakye – Chief People & Diversity Officer</p> <ul style="list-style-type: none"> VP HR Andeavor  <p>Amanda Clark – Chief Development Officer</p> <ul style="list-style-type: none"> various management positions at Taco Bell  <p>Ann Gugino – Chief Financial Officer</p> <ul style="list-style-type: none"> Senior VP FPA Target Corporation  <p>Shane Hutchins – Chief Supply Chain Officer</p> <ul style="list-style-type: none"> < 20 years with Papa John's  <p>Jim Norberg – Chief Operating Officer, NA</p> <ul style="list-style-type: none"> < 30 years with McDonalds – VP, COO  <p>Jack H. Swaysland – Chief Operating Officer, Intl</p> <ul style="list-style-type: none"> < 15 years with Papa John's
Share price performance							
 <p>n.a.</p>	 <p>+10.7%</p>	 <p>(2.7%)</p>	 <p>(17.6%)</p>	 <p>(11.2%)</p>	 <p>(4.5%)</p>	 <p>(21.6%)</p>	

Appendix A: Shareholder Structure

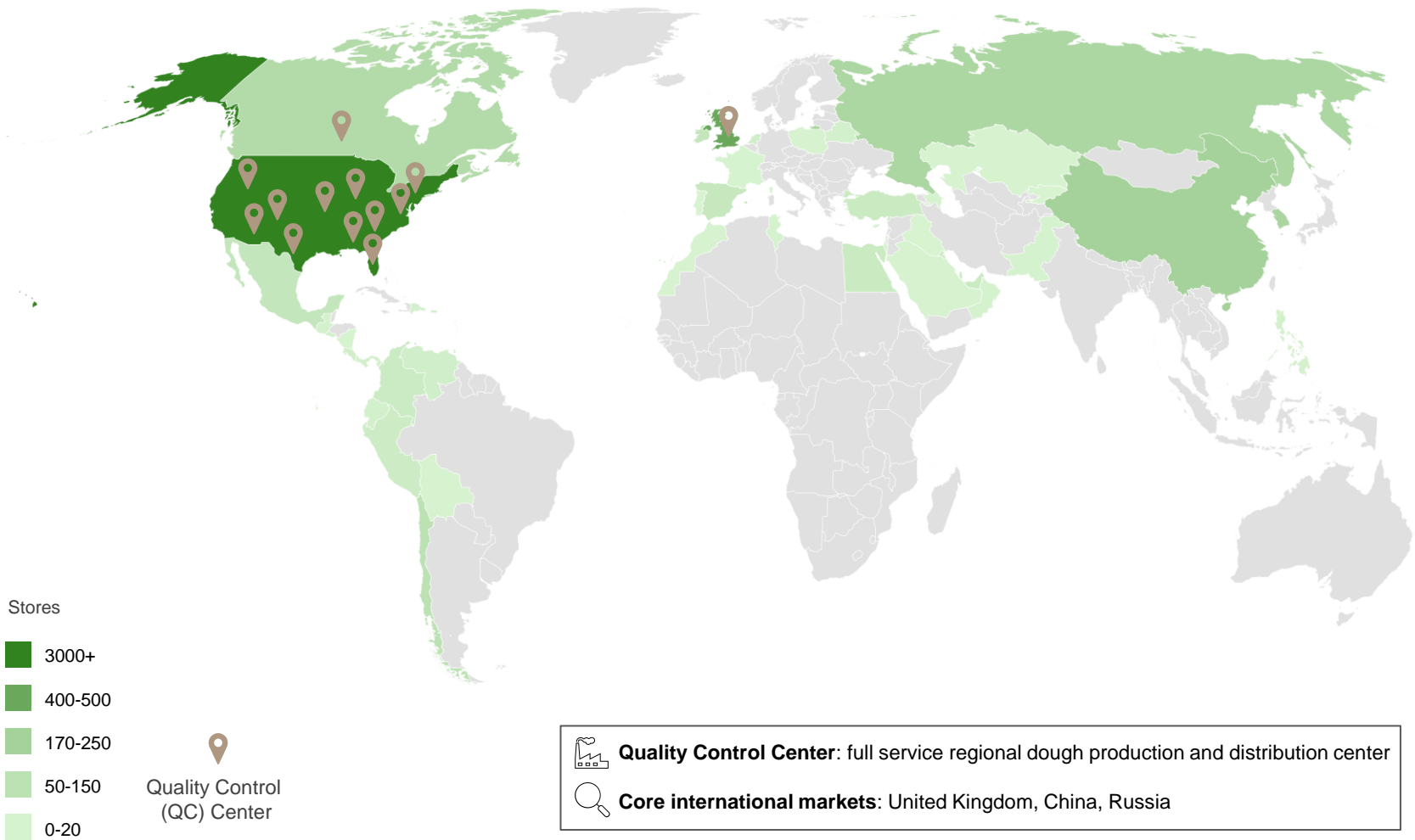
Unspectacular shareholder structure with a high share of institutional investors

Shareholder structure and largest holdings



Appendix A: Geography

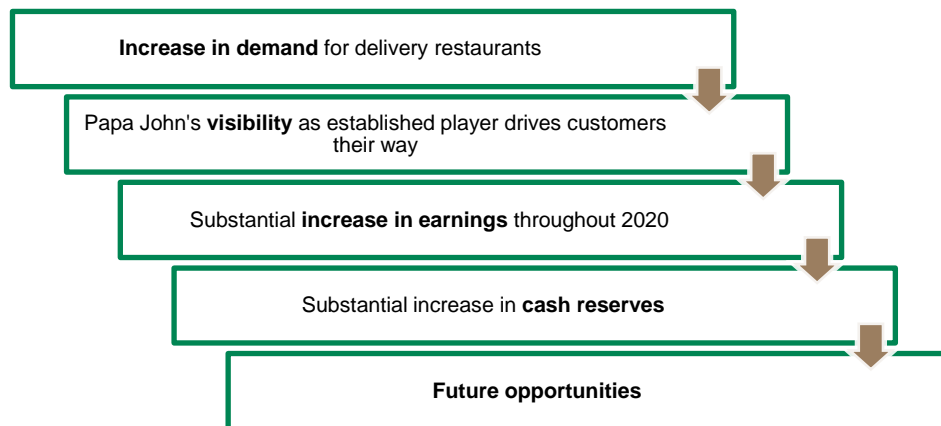
Geography & Distribution Centers



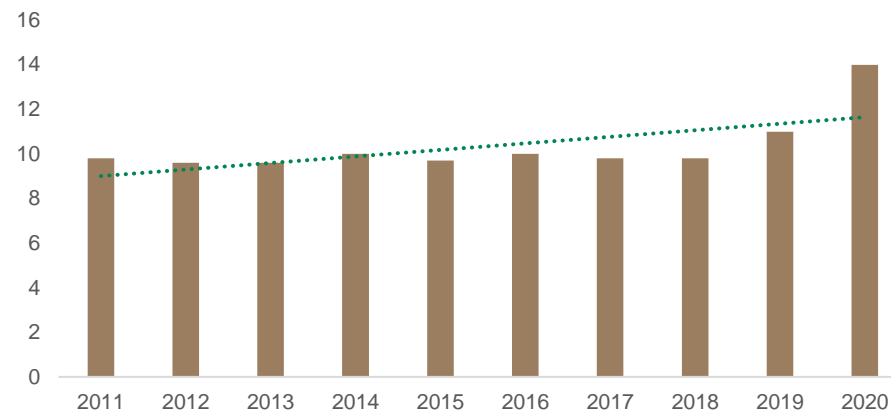
Appendix A: COVID Impact

COVID-19 had a positive impact on Papa John's business and financials

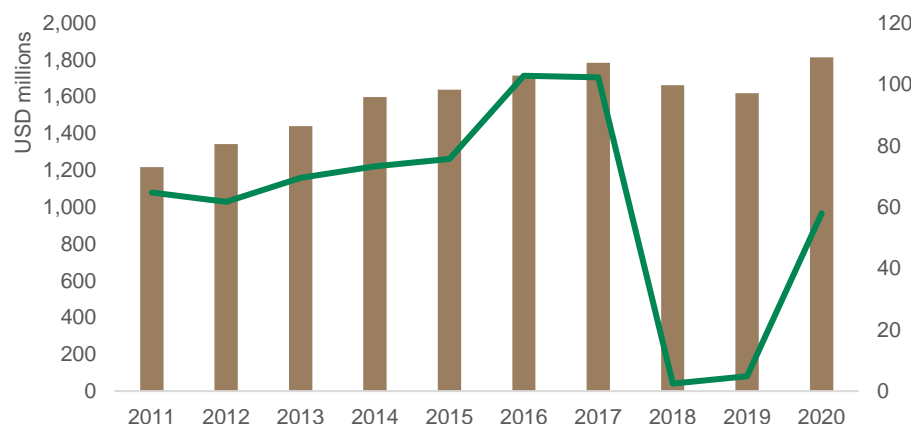
COVID-impact process on Papa John's



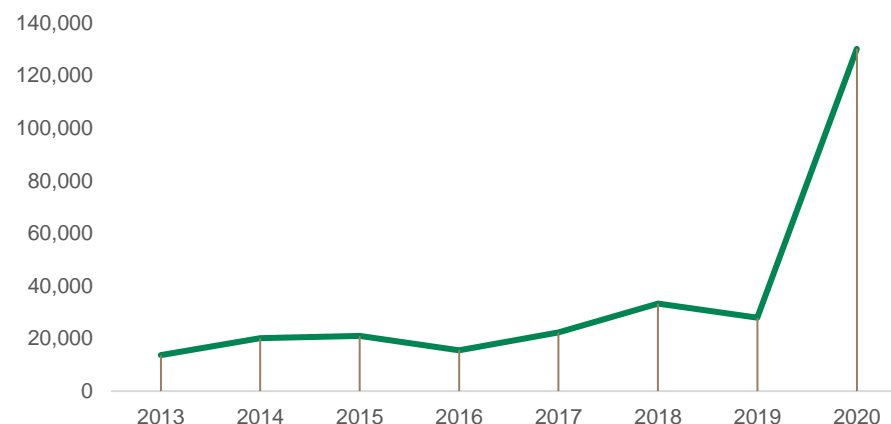
Increase in pizza delivery market volume 2011-2020



Increase in sales and net profit



Increase in cash and cash equivalents



Appendix A: SWOT Analysis



Papa John's cannot exploit market opportunities but falls short with the threats

STRENGTHS

- Current management team (experience, conservatism...)
- Committed to revamping image damage (Forbes award for most diverse employers 2021)
- Established player in the industry
- Strong financial results in 2020
- Ability to withstand economic pressure exercised by COVID-crisis

WEAKNESSES

- Dilution of control due to franchising structure
- Poor public perception due to various scandals regarding former CEO
- Inability to make good use of cash reserves (particularly 2020)
- Not on par with certain key competitors from a technological & controlling perspective (e.g., Domino's)
- No distinguishable Unique Selling Proposition



- Penetration of new international target markets
- Usage of current cash reserves for expansion purposes
- Cooperation with Google cloud (data management, capacity management...)
- Cooperation with third-party delivery services (current boom in demand → cost efficiency)
- Shifting the narrative surrounding the company for the better

OPPORTUNITIES

- Reversal of positive COVID-19 effect onto business
- Public perception of the fast-food industry and its products might shift
- Adverse effect of increasing cost of food ingredients
- Failure to adapt technological or marketing trends could result in loss of capacity and business

THREATS

Appendix B: Porter's Five Forces

Papa John's competitive environment poses multiple threats to the company's potential

- (-) Established big international players and numerous smaller regional competitors
- (-) Multiple competitors with more market share and resources
- (-) Similar pricing and quality of service

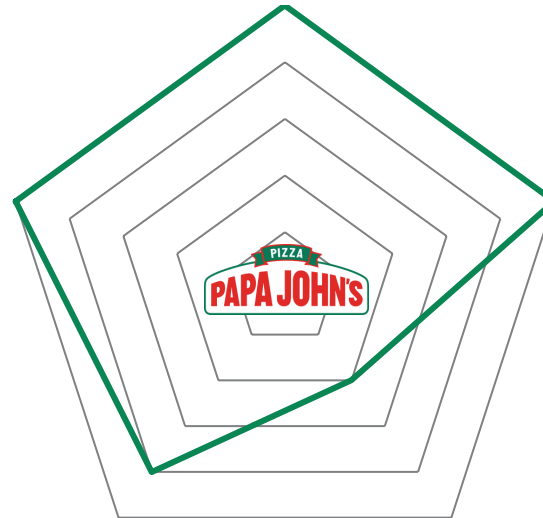
Internal rivalry - HIGH

Threat of substitutes - HIGH

- Overall many substitutes are available in the market (-)
- Alternative pizza options (e.g. frozen pizza) (-)
- Low switching costs (-)

Bargaining power of suppliers - HIGH

- (-) High dependance on Leprino Foods
- (-) Suppliers serve multiple players in the industry
- (-) Products provided by suppliers can hardly be substituted



Bargaining power of buyers - MODERATE

- Low switching costs (-)
- Comparatively about as many sellers to buyers (+)
- No clear unique selling proposition in comparison to peers (-)

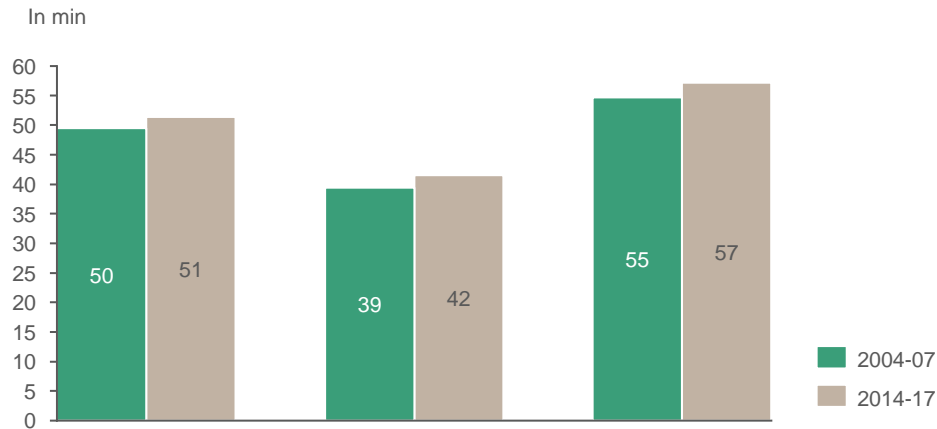
Threat of new entrants - LOW

- (+) Saturated market with legacy large players
- (+) Economies of scale give bigger players higher margins
- (+) Lack of room for significant innovation

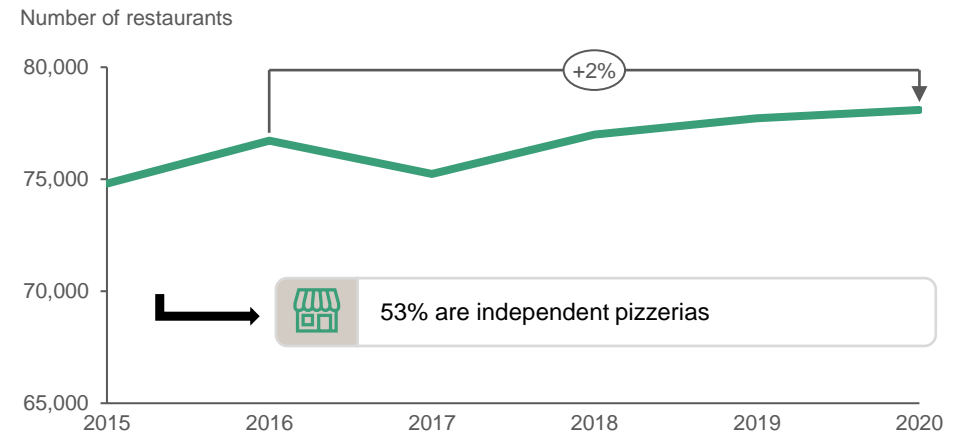
Appendix B: Industry & Market Overview

People spend more time preparing food in the US and focus shifts towards healthy food

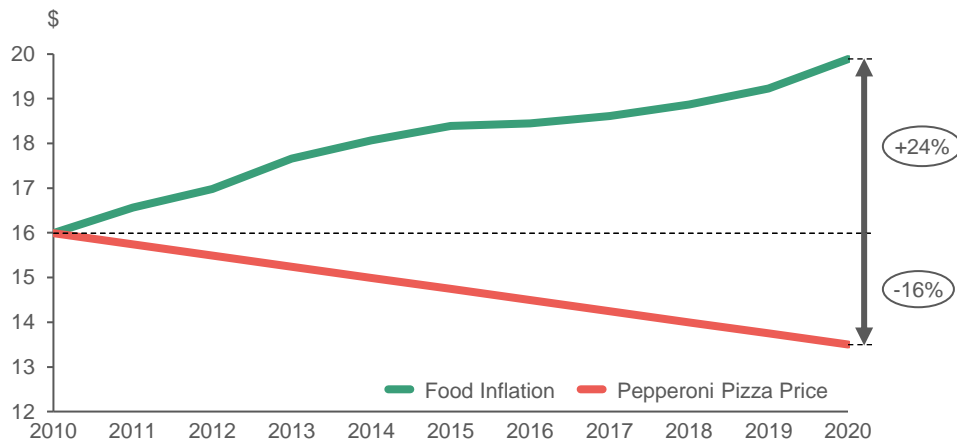
Average time spent preparing food per day - USA



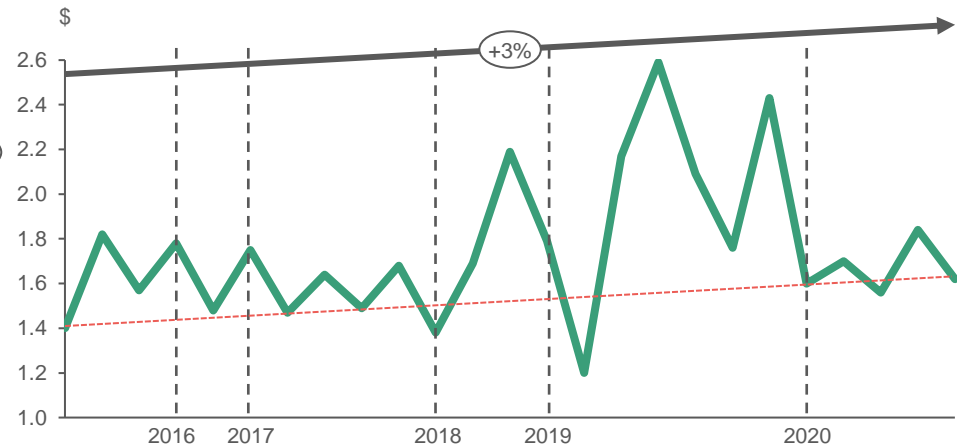
Number of pizza restaurants in USA



Food prices increase vs. Pizza price Papa John's



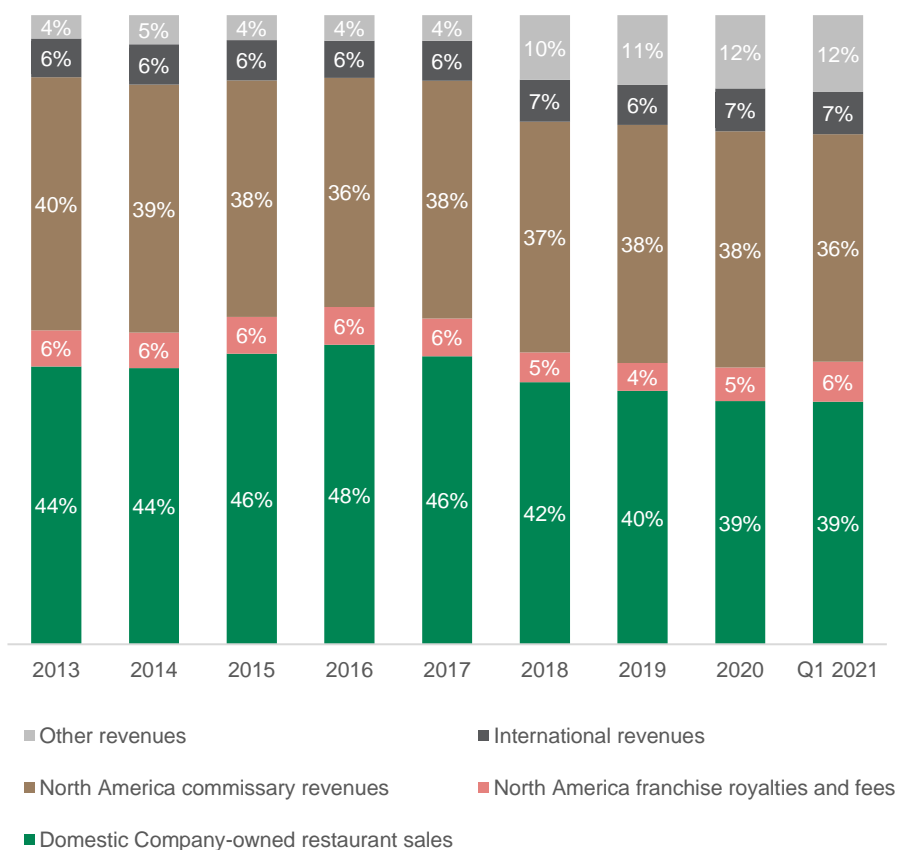
Cheese price development per pound



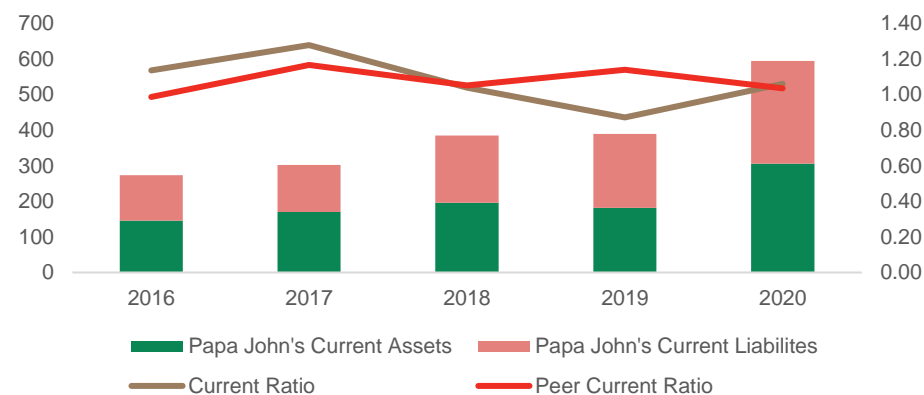
Appendix C: Financial Analysis

Papa John's segment revenue proportion with minor changes over the years

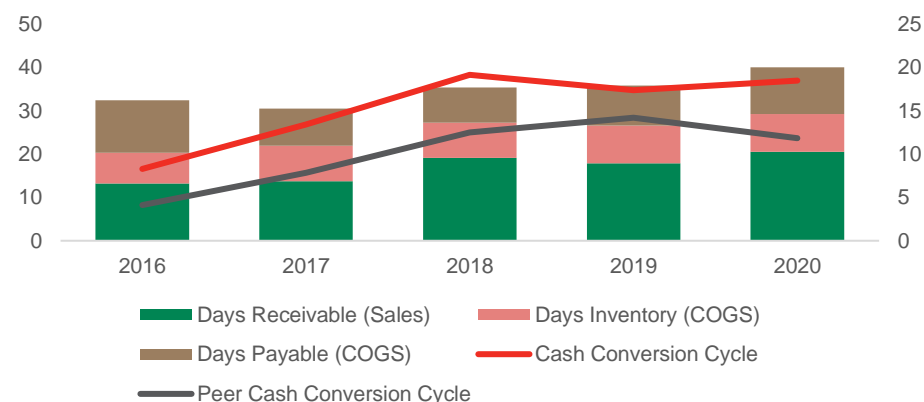
Revenue by segments in % 2013-Q1 2021



Current ratio (in million US-Dollars)



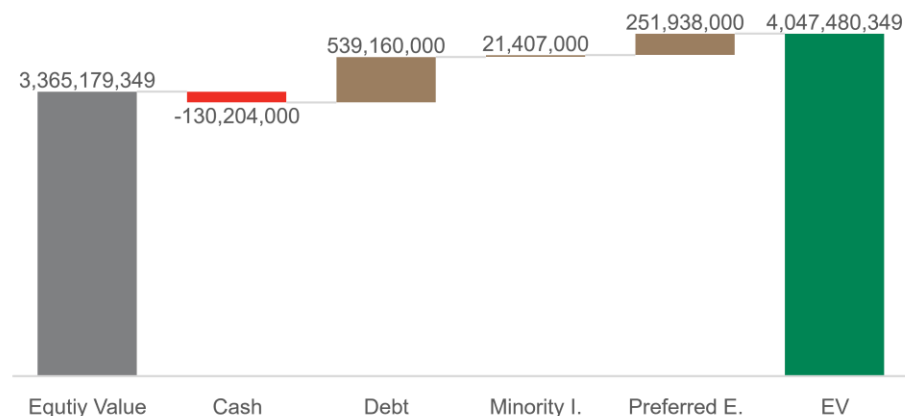
Cash conversion cycle



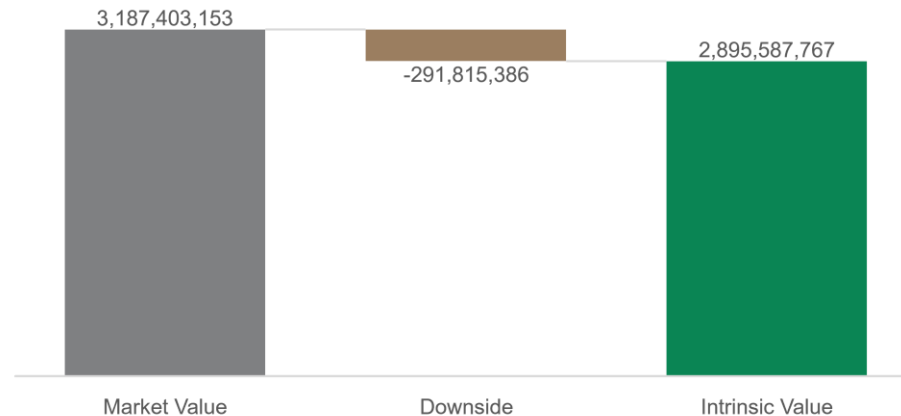
Appendix D: DCF Analysis

Variations in growth rate and WACC still imply an overvaluation

Equity bridge



Market value vs. Intrinsic value



Sensitivity analysis: Value Driver Formula

Growth Rate	WACC				
	5.13%	5.63%	6.13%	6.63%	7.13%
1.70%	92.6	78.3	67.2	58.3	51.1
2.20%	109.4	90.6	76.5	65.6	57.0
2.70%	133.1	107.0	88.6	74.8	64.1
3.20%	169.1	130.3	104.8	86.6	73.1
3.70%	230.3	165.7	127.6	102.5	84.7

Key assumptions

WACC (6,13%):
Cost of Debt: 3.96%, Cost of Equity: 6.5%, LT D/E ratio: 11%, Marginal Tax Rate: 27%

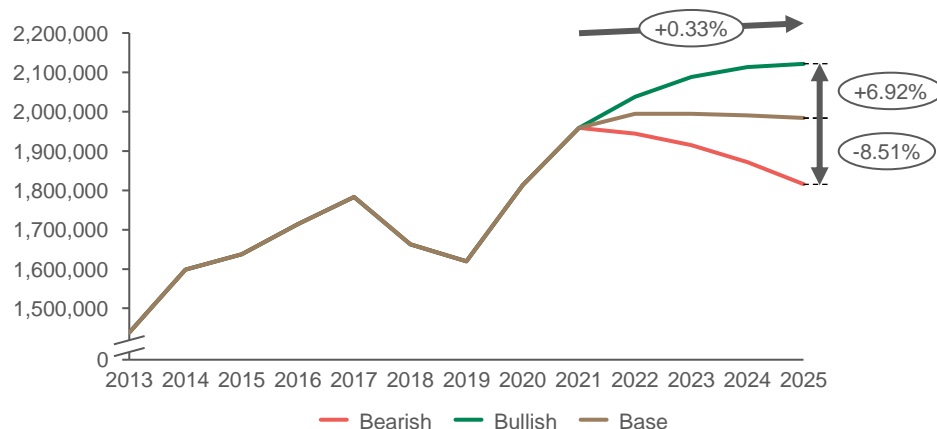
Terminal value assumptions:
Almost non-existent growth adjusted for expected inflation in the United States: 2.70%

Net Debt: 368 million US-Dollars
130 million of cash and cash equivalents in FY2020

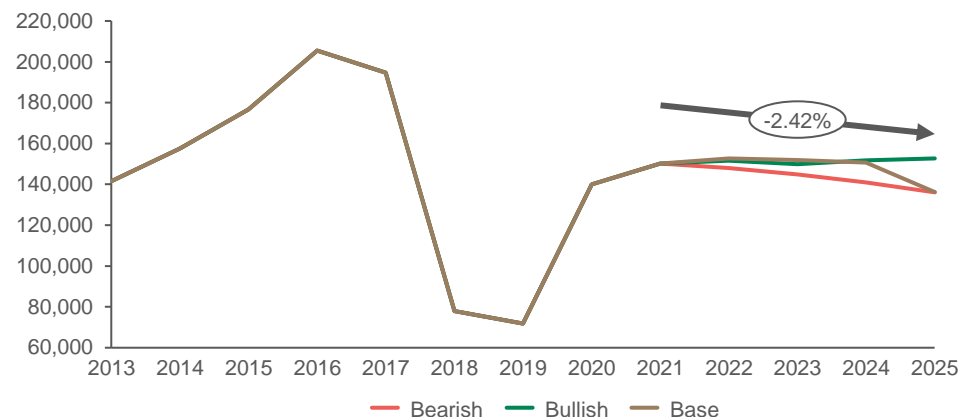
Appendix D: Scenario Analysis

While bullish case suggests a hold, bearish leads to a strong sell

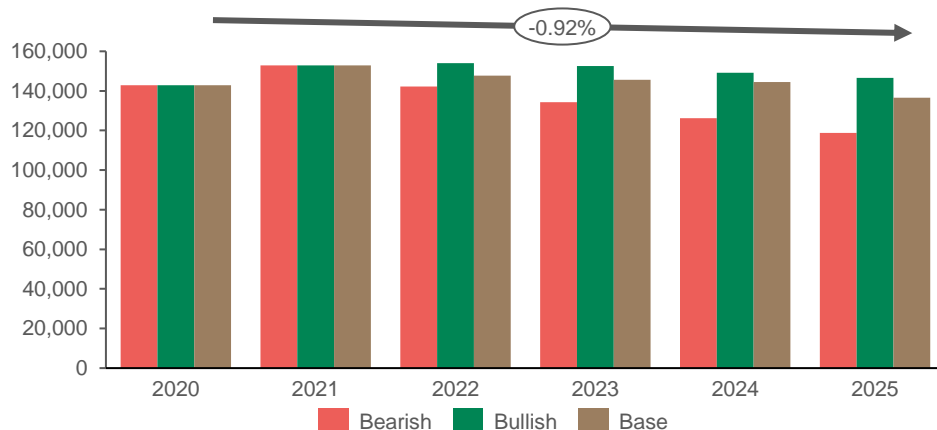
Revenue forecast by scenario



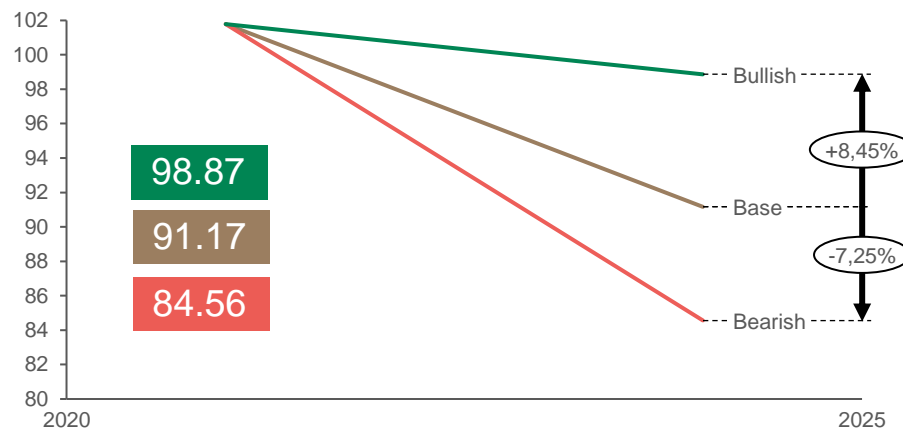
EBIT forecast by scenario



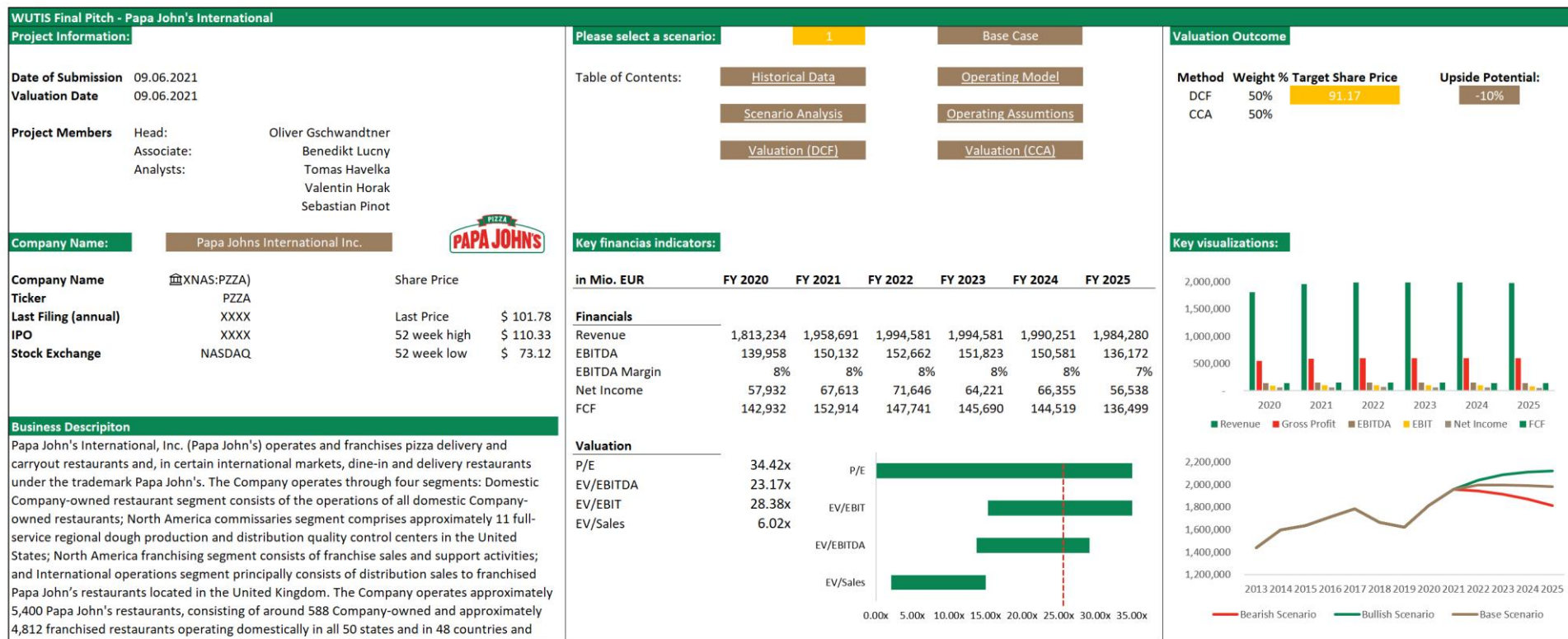
FCF forecast by scenario



Target share price range



Appendix D: Overview of Financial Model



Appendix D: Operating Model I

Income Statement

Operating Model												
	Historical						Forecast					
	December 25, 2016	December 31, 2017	December 30, 2018	December 29, 2019	December 27, 2020	Q1 2021	Average	2021F	2022F	2023F	2024F	2025F
(In thousands, except per share amounts)												
Income Statement												
Revenues:												
North America Revenues	1,542,794	1,597,159	1,381,539	1,336,533	1,478,282	414,827		1,588,002	1,614,814	1,614,814	1,611,584	1,606,750
Growth in %	5%	4%	-14%	-3%	11%	-72%		7%	2%	0%	0%	0%
Total International Revenues	100,904	114,021	110,349	102,924	123,963	34,607		142,458	147,293	147,293	146,704	146,264
Growth in %	-50%	13%	-3%	-7%	20%	-72%		15%	3%	0%	0%	0%
Other Revenues	69,922	72,179	170,983	179,791	210,989	62,312		228,231	232,474	232,474	231,962	231,266
Growth in %	8%	3%	137%	5%	17%		8%	8%	2%	0%	0%	0%
Total Revenue	1,713,620	1,783,359	1,662,871	1,619,248	1,813,234	511,746		1,958,691	1,994,581	1,994,581	1,990,251	1,984,280
Total Revenue Growth in %	5%	4%	-7%	-3%	12%		4%	8%	2%	0%	0%	0%
Costs and expenses:												
Operating costs (excluding depreciation and amortization shown)												
COGS for North American Operations w/o franchise royalties and % of Revenue w/o franchise royalties and												
COGS for International Operations	62,574	70,622	67,775	57,702	73,994	19,618		79,410	82,064	82,023	81,654	81,368
% of Revenue	62%	62%	91%	90%	88%	57%	85%	85%	85%	85%	85%	84%
Sum of COGS	1,293,944	1,366,799	1,220,536	1,153,119	1,268,730	346,190		1,370,164	1,395,268	1,395,884	1,393,543	1,389,975
Total COGS as % of Total Revenue	76%	77%	73%	71%	70%	68%	74%	69.95%	69.95%	69.98%	70.02%	70.05%
Gross Profit	419,676	416,560	442,335	466,129	544,504	165,556		588,527	599,313	598,697	596,708	594,305
Gross Profit Margin in %	24%	23%	27%	29%	30%	32%		30%	30%	30%	30%	30%
Other expenses	66,253	69,335	170,556	175,592	200,304	55,807						
General and administrative expenses	158,135	150,866	193,534	223,460	204,242	50,011						
Other general expenses												
Total SG&A	224,388	220,201	364,090	399,052	404,546	105,818		438,395	446,651	446,874	446,127	458,132
% of Revenue	13%	12%	22%	25%	22%	21%	22%	22%	22%	22%	22%	23%
Depreciation and amortization	40,987	43,668	46,403	47,281	49,705	12,876		50,667	51,595	51,595	51,483	51,329
Total costs and expenses	1,559,319	1,630,668	1,631,029	1,599,452	1,722,981	464,884		1,859,226	1,893,514	1,894,353	1,891,153	1,899,436
EBITDA	185,066	198,033	78,534	62,338	139,958	59,738		150,132	152,662	151,823	150,581	136,172
EBITDA Margin in %	11%	11%	5%	4%	8%	12%		8%	8%	8%	8%	7%

Appendix D: Operating Model II

Continuation of the Income Statement at EBITDA

EBITDA	185,066	198,033	78,534	62,338	139,958	59,738		150,132	152,662	151,823	150,581	136,172
EBITDA Margin in %	11%	11%	5%	4%	8%	12%		8%	8%	8%	8%	7%
Refranchising gains (losses)	10,222 -	1,674 -	289	4,739								
Operating income = EBIT	144,079	154,365	32,131	15,057	90,253	46,862		99,465	101,067	100,228	99,098	84,844
EBIT Margin in %	8%	9%	2%	1%	5%	\$0		5%	5%	5%	5%	4%
Legal Settlement	898											
Investment income	785	608	817	1,104	2,131			1,959	1,995	1,995	1,990	1,984
Interest expense	- 7,397 -	11,283 -	25,673 -	20,593 -	17,022 -	3,647		12,669	5,024	5,024	801	801
Financial result	- 6,612 -	10,675 -	24,856 -	19,489 -	14,891 -	3,647		14,628	7,019	7,019	2,791	2,785
Income before income taxes = EBT	158,809	140,342	6,697	5,046	75,362	43,215		88,755	94,048	93,209	96,307	82,059
Income tax expense (benefit)	49,717	33,817	2,624 -	611	14,748	7,932		23,742	25,158	31,458	32,504	27,695
Tax Rate	31%	24%	39%	-12%	20%	18%		27%	27%	34%	34%	34%
Net income before attribution to noncontrolling interests	109,092	106,525	4,073	5,657	60,614	35,283		65,013	68,890	61,751	63,803	54,364
Net income attributable to noncontrolling interests	- 6,272 -	4,233 -	1,599 -	791 -	2,682 -	1,400		2,601	2,756	2,470	2,552	2,175
Net income attributable to the Company	102,820	102,292	2,474	4,866	57,932	33,883		67,613	71,646	64,221	66,355	56,538
	82,376	105,640	3,052	(4,612)	57,932	33,883		65,013	68,890	61,751	63,803	54,364
Net Profit Margin in %	5%	6%	0%	0%	3%	7%		3%	3%	3%	3%	3%

Appendix D: Valuation I

DCF – Analysis

Discounted Cash Flow

	Historical									Forecast					Terminal Value	
(In thousands)	December 29, 2013	December 28, 2014	December 27, 2015	December 25, 2016	December 31, 2017	December 3, 2018	December 2, 2019	December 2, 2020	Q1 2021	2021F	2022F	2023F	2024F	2025F		
Operating income = EBIT	106,503	117,630	136,307	144,079	154,365	32,131	15,057	90,253	46,862	99,465	101,067	100,228	99,098	84,844		
Tax Rate	31%	32%	31%	31%	24%	39%	-12%	20%	18%	27%	27%	34%	34%	34%		
NOPAT	73,250	79,992	93,769	98,973	117,169	19,542	16,880	72,591	38,261	72,858	74,032	66,401	65,652	56,209		
Depreciation and amortizatic	35,105	39,965	40,307	40,987	43,668	46,403	47,281	49,705	12,876	50,667	51,595	51,595	51,483	51,329		
Purchases of property and equipment (CAPEX)	50,750	48,655	38,972	55,554	52,593	42,028	37,711	35,652	-	26,889	24,644	22,179	19,918	17,872		
Change in NWC	-	15,615	-	39,776	6,377	32,931	-	34,522	-	56,278	-	46,758	-	47,301	-	46,834
Free Cash Flow	57,605	55,687	134,880	78,029	75,313	58,439	29,879	142,932	68,147	152,914	147,741	145,690	144,519	136,499		
Terminal Value																4,088,296
Discount Factor										1.0	2.0	3.0	4.0	5.0		
										0.942	0.888	0.837	0.788	0.743		
Present Value of FCF										108,062	131,169	121,879	113,917	101,382		
Present Value of TV										3,036,501						

Equity Bridge

Enterprise Value	3,612,910,900
Cash	130,204,000
Debt	539,160,000
Minority Interest	21,407,000
Preferred Equity	251,938,000
Equity Value	2,930,609,900
Shares Outstanding	33,074,641

Share Price	88.61
WACC	6.13%
Growth Rate	2.70%
Stub Adjustment for FY21	75%

Growth Rate Argumentation

Sensitivity Analysis

	88.61	5.13%	5.63%	6.13%	6.63%	7.13%
1.66%	91.4	77.4	66.5	57.8	50.7	
2.16%	107.8	89.4	75.7	65.0	56.4	
2.66%	130.9	105.5	87.5	74.0	63.5	
3.16%	165.6	128.1	103.3	85.6	72.3	
3.66%	223.9	162.2	125.4	101.1	83.7	

Appendix D: Valuation II

CCA – Analysis

Trading Multiples

Company	EV/Sales	EV/EBITDA	EV/EBIT	P/E	
PAPA JOHN'S INTL INC		2.11x	22.26x	30.78x	40.36x
WENDY'S CO/THE		6.24x	28.59x	28.59x	39.30x
JACK IN THE BOX INC		4.41x	15.15x	18.11x	17.11x
DOMINO'S PIZZA INC		5.04x	26.60x	28.17x	35.32x
YUM! BRANDS INC		7.90x	22.64x	24.53x	30.87x
MTY Food Group Inc.		5.80x	24.35x	34.16x	-42.67x
Pizza Pizza Royalty Corp.		15.03x	13.76x	15.34x	17.71x
RAVE Restaurant Group, Inc.		2.88x	29.21x	37.66x	37.86x
McDonald's Corporation		11.19x	23.70x	29.35x	33.52x
Restaurant Brands International Inc.		7.00x	19.43x	21.76x	39.66x
Min		2.11x	13.76x	15.34x	-42.67x
25% Quartil		4.56x	20.14x	22.45x	21.00x
Median		6.02x	23.17x	28.38x	34.42x
Mean		6.76x	22.57x	26.84x	24.90x
75% Quartil		7.68x	26.04x	30.42x	38.94x
Max		15.03x	29.21x	37.66x	40.36x

Appendix E: Peer Analysis I

Operating Performance	2016	2017	2018	2019	2020	5Y Avg.	Who is doing better?
Sales Growth	0.4%	4.1%	-12.8%	-3.5%	11.3%	-0.1%	Papa John's
Peer Sales Growth	1.3%	-0.7%	-5.5%	5.0%	-2.1%	-0.4%	
Gross Margin	25.5%	24.3%	29.6%	32.4%	34.0%	29.2%	Peers
Peer Gross Margin	44.9%	46.5%	46.9%	50.5%	47.6%	47.3%	
EBITDA Margin	11.9%	11.5%	5.2%	5.6%	9.1%	8.7%	Peers
Peer EBITDA Margin	28.3%	33.3%	31.4%	28.7%	27.1%	29.8%	
EBIT Margin	9.4%	8.9%	2.1%	2.3%	6.0%	5.8%	Peers
Peer EBIT Margin	21.6%	24.0%	23.3%	21.2%	18.9%	21.8%	
Net Income Margin	6.3%	6.0%	0.2%	0.3%	3.6%	3.3%	Peers
Peer Net Income Margin	9.9%	14.1%	20.5%	10.5%	10.4%	13.1%	

Appendix E: Peer Analysis II

Working Capital Management	2016	2017	2018	2019	2020	5Y Avg.	Who is doing better?
Asset Turnover (Sales)	3.21	3.08	2.50	1.97	1.84	2.52	Papa John's
Peer Asset Turnover (Sales)	0.83	0.78	0.85	0.72	0.45	0.72	
Inventory Turnover (COGS)	51.55	44.67	44.87	41.93	41.87	44.98	Peers
Peer Inventory Turnover (COGS)	51.55	83.03	108.00	102.08	44.76	77.88	
Days Receivable (Sales)	13.3	13.8	19.1	17.9	20.5	16.91	Papa John's
Peer Days Receivable (Sales)	21.5	28.2	32.1	35.1	34.9	30.36	
Days Inventory (COGS)	7.1	8.2	8.1	8.7	8.7	8.16	Peers
Peer Days Inventory (COGS)	7.1	1.9	2.0	2.1	2.4	3.09	
Days Payable (COGS)	12.0	8.5	8.1	9.2	10.8	9.73	Peers
Peer Days Payable (COGS)	17.8	14.4	19.0	18.9	17.0	17.42	
Operating Cycle	20.3	22.0	27.2	26.6	29.2	25.07	Papa John's
Peer Operating Cycle	28.6	30.1	34.1	37.2	37.3	33.46	
Cash Conversion Cycle	8.3	13.4	19.1	17.4	18.5	15.34	Peers
Peer Cash Conversion Cycle	4.1	7.9	12.5	14.2	11.8	10.10	

Appendix E: Peer Analysis III

Liquidity Performance	2016	2017	2018	2019	2020	5Y Avg.	Who is doing better?
Current Ratio	1.14	1.28	1.04	0.87	1.06	1.08	Papa John's
Peer Current Ratio	0.99	1.17	1.05	1.14	1.04	1.08	
Acid Test Ratio	0.60	0.70	0.70	0.50	0.80	0.66	Peers
Peer Acid Test Ratio	0.75	0.85	0.85	1.00	0.95	0.88	

Leverage Ratios	2016	2017	2018	2019	2020	5Y Avg.	Who is doing better?
Total Debt / EBITDA	1.54x	2.27x	7.94x	6.57x	3.61x	4.39x	Papa John's
Peer Total Debt / EBITDA	3.74x	3.56x	4.72x	5,11x	5.99x	4.63x	
Total Debt / (EBITDA-CAPEX)	2.14x	3.11x	17.17x	12.19x	4.78x	7.88x	Peers
Peer Total Debt / (EBITDA-CAPEX)	4.33x	3.98x	5.33x	5.86x	6.93x	5.29x	

Other Ratios	2016	2017	2018	2019	2020	5Y Avg.	Who is doing better?
CAPEX / Sales	3.4%	3.1%	2.8%	2.6%	2.2%	3.0%	Peers
Peer CAPEX / Sales	4.2%	3.2%	3.8%	3.0%	2.3%	3.0%	

Appendix E: Peer Analysis IV

Interest Coverage	2016	2017	2018	2019	2020	5Y Avg.	Who is doing better?
EBITDA / Interest	26.39x	18.36x	3.19x	4.15x	9.79x	12.38x	Papa John's
Peer EBITDA / Interest	7.40x	5.31x	4.29x	4.45x	5.72x	5.43x	
(EBITDA-CapEx) / Interest	18.89x	13.44x	1.48x	2.24x	7.40x	8.69x	Papa John's
Peer (EBITDA-CapEx) / Interest	5.15x	4.91x	3.75x	4.08x	3.64x	4.31x	
EBIT / Interest	20.85x	14.27x	1.30x	1.73x	6.46x	8.92x	Papa John's
Peer EBIT / Interest	5.72x	4.40x	3.95x	4.13x	4.55x	4.55x	

Investment Return	2016	2017	2018	2019	2020	5Y Avg.	Who is doing better?
EBIT / Average Assets	30.1x	28.6x	5.7x	5.6x	14.7x	0.17x	Peers
Peer EBIT / Average Assets	27.1x	27.2x	22.0x	21.8x	16.4x	0.23x	
Return on Invested Capital	31.3%	28.2%	7.7%	12.4%	28.7%	0.22%	Peers
Peer Return on Invested Capital	23.4%	18.0%	27.8%	22.3%	20.3%	0.22%	
Return on Average Common Equity			-1.7%	-2.5%	-27.3%	-0.11%	Papa John's
Peer Return on Average Common Equity	-43.3%	-28.4%	-22.3%	-17.0%	-18.3%	-0.26%	

Appendix E: Company Overview – Domino's

W U T I S

In our opinion: the true market leader

Company Description



- America's **largest** fast-food company in the pizza segment



- Current company headquarters in **Ann Arbor, Michigan** (founded in 1960)



- 290,000 employees** worldwide associated with business (10,650 excluding franchise employees)

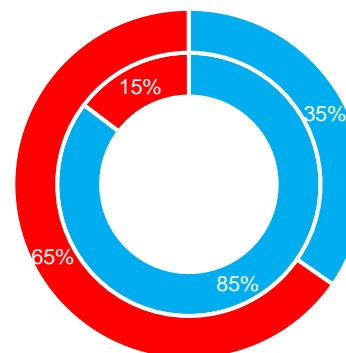


- Over **17,600 stores** in **90 markets**



- IPO: **July 2004** with 15 million shares issued at \$13.5 per share

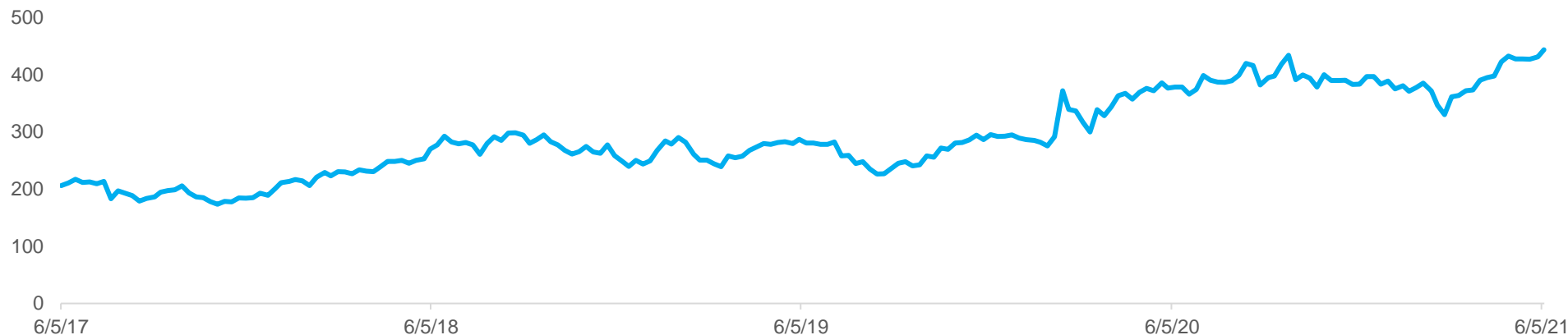
Domestic vs. International revenues and locations



- Domestic Units
- International Units
- Domestic Revenues
- International Revenues

- Domestic restaurants - 5992
- International restaurants - 11289

Stock Price Performance



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