

Papa Johns International, Inc. (PZZA)

Analyst Notes : New 10-K & Forecast 2/27/20

Select Document: 2019 | 10-K

Balance Sheet

Income Statement

Cash Flow Data Points

Income Statement Adjustments

Net Non-Operating Expense Hidden in Operating Earnings
Pre-Tax Net Non-Operating Expense/(Income) Hidden in Operating Earnings
 • Special charges (d)(e) : 41.3

Balance Sheet Adjustments

Valuation Adjustments

Operating Leases

Fair Value Hierarchy

Other Disclosures

The values in the Index Menu above appear exactly as disclosed in this filing. Note that values often appear in different denominations (millions, billions, etc) within a filing. You can verify the denomination of values in their original context by clicking on them.

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19. Other General Expenses

Other general expenses are included within General and administrative expenses and primarily consist of the following (in thousands):

	December 29, 2019	Year Ended December 30, 2018	December 31, 2017
Provision (credit) for uncollectible accounts and notes receivable (a)	\$ 2,764	\$ 3,338	\$ (1,441)
Loss on disposition of fixed assets	1,130	2,233	2,493
Papa Rewards (b)	-	-	1,046
Franchise support initiative (c)	-	34	2,986
Other (income) expense	(915)	(1,725)	343
Other general expenses	2,979	3,880	5,427
Special charges (d)(e)	41,322	35,316	-
Administrative expenses (f)(g)	179,159	154,338	145,439
General and administrative expenses	\$ 223,460	\$ 193,534	\$ 150,866

(a) Bad debt recorded on accounts receivable and notes receivable.

Online customer loyalty program costs in 2017 which are now recorded as a change in Domestic (b) Company-owned restaurant revenue under Topic 606.

Franchise incentives include incentives to franchisees for opening new restaurants. In 2018, the Company adopted Topic 606 with updated accounting guidelines for new store equipment incentives, which are now (c) recorded as a reduction of commissary revenues.

(d) The Special charges for the year ended December 29, 2019 include the following:

(1) \$27.5 million of marketing fund investments;

\$5.9 million of legal and advisory fees primarily associated with the review of a wide range of strategic opportunities that culminated in a strategic investment in the Company by affiliates of (2) Starboard;

\$5.6 million related to a one-time mark-to-market adjustment from the increase in value of the Starboard option to purchase Series B Preferred Stock that culminated in the purchase of \$50.0 million of Series B (3) Preferred Stock in late March. See Note 8 for additional information; and

\$2.4 million that includes severance costs for the Company's former CEO as well as costs related to the (4) termination of a license agreement for intellectual property no longer being utilized.

(e) The Special charges for the year ended December 30, 2018 include the following:

(1) \$10.0 million of marketing fund investments;

\$19.5 million of advisory and legal costs primarily associated with the review of a wide range of strategic opportunities that culminated in a strategic investment in the Company by affiliates of Starboard and a third-party audit of the culture at Papa John's commissioned by a special committee of (2) the Board of Directors; and

\$5.8 million of reimagining costs at nearly all domestic restaurants including costs to replace or (3) write-off certain branded assets.

The increase in administrative expenses of \$24.8 million for the year ended December 29, 2019 compared to the prior year comparable periods was primarily due to higher management incentive costs, including (f) equity compensation, and higher legal and professional fees not associated with Special charges.

The increase in administrative expenses of \$8.9 million for the year ended December 29, 2018 compared to the prior year comparable period was mainly due to higher technology initiative costs and a \$1.5 million contribution to our newly formed Papa John's Foundation, a separate legal entity that is not consolidated in the Company's results. In addition, administrative expenses increased due to higher (g) legal and professional fees not associated with the Special charges.