POPEYES LOUISIANA KITCHEN, INC.

FORM 10-K/A
(Amended Annual Report)

Filed 03/01/17 for the Period Ending 12/25/16

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Sector	Consumer Cyclicals
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K/A

(Amendment No.1)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 25, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 000-32369

Popeyes Louisiana Kitchen, Inc.

Minnesota	**58-2016606**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
400 Perimeter Center Terrace, Suite 1000	**30346**
Atlanta, Georgia	*(Zip Code)*
(Address of principal executive offices)	

Registrant's telephone number, including area code:
(404) 459-4450

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

Title of each class	**Name of each exchange on which registered**
Common stock, $0.01 par value per share	**NASDAQ Global Market**

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☑

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. ☑

Indicate by check mark whether the registrant has submitted electronically and posted to its web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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. (Check one):

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐
		(Do not check if a smaller reporting company)	

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

As of July 8, 2016 (the last business day of the registrant's second quarter for 2016), the aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant, based on the closing sale price as reported on the NASDAQ Global Market System, was approximately $1,141,833,000.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding at January 20, 2017**
Common stock, $0.01 par value per share	**20,727,945 shares**

Documents incorporated by reference: Portions of our 2016 Proxy Statement are incorporated herein by reference in Part III of this Annual Report.

EXPLANATORY NOTE

The sole purpose of this Amendment No.1 on Form 10-K/A (the “Amendment”) to the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 2016, which was originally filed with the Securities and Exchange Commission on February 22, 2017 (“the Original Filing”), is to add the city and state to the Report of Independent Registered Public Accounting Firm (the "Report").

The Report dated as of the date of the Original Filing, inadvertently excluded the city and state of the issuing office. This Amendment speaks as of the date of the Original Filing. Except as noted herein, the Amendment does not modify or update in any way disclosures made in the Original Filing (other than to include the city and state of the independent registered public accounting firm on their report), or reflect events that may have occurred subsequent to the Original Filing.

This Amendment contains only the exhibit to the Original Filing that is being corrected and new certifications pursuant to Sections 302 and 1350 of the Sarbanes-Oxley Act of 2002. Unaffected parts or exhibits of the Original Filing are not included herein. Information not affected by this Amendment remains unchanged and reflects the disclosures made at the time of the Original Filing.

PART IV.

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements

The following consolidated financial statements appear beginning on Page 5 of the report:

We have omitted all other schedules because the conditions requiring their filing do not exist or because the required information appears in our Consolidated Financial Statements, including the notes to those statements.

(b) Exhibits

Exhibit Number	**Description**
23.1	Consent of PricewaterhouseCoopers LLP.*
31.1	Certification Pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification Pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	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.*
32.2	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.*

* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 1st day of March 2017.

POPEYES LOUISIANA KITCHEN, INC.

By: /s/ CHERYL A. BACHELDER

Cheryl A. Bachelder

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	**Title(s)**	**Date**
/s/ CHERYL A. BACHELDER Cheryl A. Bachelder	Chief Executive Officer *(Principal Executive Officer)*	March 1, 2017
/s/ WILLIAM P. MATT William P. Matt	Chief Financial Officer *(Principal Financial Officer)*	March 1, 2017
/s/ PAUL F. MARSDEN Paul F. Marsden	Chief Accounting Officer (*Principal Accounting Officer*)	March 1, 2017

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Popeyes Louisiana Kitchen, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows present fairly, in all material respects, the financial position of Popeyes Louisiana Kitchen, Inc. at December 25, 2016 and December 27, 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 25, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 25, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for deferred income taxes in 2016.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Atlanta, Georgia
February 22, 2017

Popeyes Louisiana Kitchen, Inc.
Consolidated Balance Sheets
As of December 25, 2016 and December 27, 2015
(In millions, except share data)

	2016	2015
Current assets:		
Cash and cash equivalents	$ 11.6	$ 9.1
Accounts and current notes receivable, net	9.5	9.2
Other current assets	4.9	8.5
Advertising cooperative assets, restricted	33.8	35.4
Total current assets	59.8	62.2
Long-term assets:		
Property and equipment, net	95.6	97.7
Goodwill	11.0	11.1
Trademarks and other intangible assets, net	93.7	94.2
Other long-term assets, net	2.1	1.5
Total long-term assets	202.4	204.5
Total assets	$ 262.2	$ 266.7
Current liabilities:		
Accounts payable	$ 7.8	$ 6.7
Other current liabilities	13.0	13.1
Current debt maturities	0.5	0.3
Advertising cooperative liabilities	33.8	35.4
Total current liabilities	55.1	55.5
Long-term liabilities:		
Long-term debt	159.3	112.3
Deferred credits and other long-term liabilities	39.4	39.3
Total long-term liabilities	198.7	151.6
Commitments and contingencies		
Shareholders' equity:		
Preferred stock ($.01 par value; 2,500,000 shares authorized; 0 issued and outstanding)	—	—
Common stock ($.01 par value; 150,000,000 shares authorized; 20,727,945 and 22,449,697 shares issued and outstanding at the end of fiscal years 2016 and 2015, respectively)	0.2	0.2
Capital in excess of par value	—	—
Retained earnings	8.3	59.6
Accumulated other comprehensive loss	(0.1)	(0.2)
Total shareholders' equity	8.4	59.6
Total liabilities and shareholders' equity	$ 262.2	$ 266.7

The accompanying notes are an integral part of these consolidated financial statements.

Popeyes Louisiana Kitchen, Inc.
Consolidated Statements of Operations
For Fiscal Years 2016 , 2015 , and 2014
(In millions, except per share data)

	2016	2015	2014
Revenues:			
Sales by Company-operated restaurants	$ 108.3	$ 109.5	$ 97.2
Franchise royalties and fees	154.8	144.0	131.3
Rent from franchised restaurants	5.8	5.5	7.1
Total revenues	268.9	259.0	235.6
Expenses:			
Restaurant food, beverages and packaging	34.2	35.3	32.0
Restaurant employee, occupancy and other expenses	53.4	52.3	46.8
General and administrative expenses	89.5	84.3	78.9
Occupancy expenses - franchise restaurants	3.1	3.1	3.2
Depreciation and amortization	10.1	9.7	8.7
Other expenses (income), net	4.1	—	1.2
Total expenses	194.4	184.7	170.8
Operating profit	74.5	74.3	64.8
Interest expense, net	4.6	3.7	3.0
Income before income taxes	69.9	70.6	61.8
Income tax expense	27.1	26.5	23.8
Net income	$ 42.8	$ 44.1	$ 38.0
Earnings per common share, basic:	$ 2.00	$ 1.94	$ 1.63
Earnings per common share, diluted:	$ 1.98	$ 1.91	$ 1.60
Weighted-average shares outstanding:			
Basic	21.4	22.7	23.3
Diluted	21.6	23.1	23.8

The accompanying notes are an integral part of these consolidated financial statements.

Popeyes Louisiana Kitchen, Inc.
Consolidated Statements of Comprehensive Income
For Fiscal Years 2016 , 2015 , and 2014
(In millions)

	2016	2015	2014
Net income	$ 42.8	$ 44.1	$ 38.0
Other comprehensive income			
Net change in fair value of cash flow hedge	(0.4)	(1.2)	—
Reclassification adjustments for derivative losses included in earnings	0.6	1.0	0.8
Other comprehensive income (loss), before income tax	0.2	(0.2)	0.8
Income tax expense (benefit) on other comprehensive income	0.1	(0.1)	0.3
Other comprehensive income (loss), net of income taxes	0.1	(0.1)	0.5
Comprehensive income	$ 42.9	$ 44.0	$ 38.5

The accompanying notes are an integral part of these consolidated financial statements.

Popeyes Louisiana Kitchen, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For Fiscal Years 2016 , 2015 , and 2014
(Dollars in millions)

	Common Stock		Capital in Excess of Par Value	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total
	Number of Shares	Amount				
Balance at December 29, 2013	23,784,041	$ 0.2	$ 77.9	$ (18.7)	$ (0.6)	$ 58.8
Net income	—	—	—	38.0	—	38.0
Other comprehensive income, net of tax	—	—	—	—	0.5	0.5
Repurchases and retirement of shares	(891,931)	—	(40.0)	—	—	(40.0)
Excess tax benefit from stock-based compensation	—	—	2.6	—	—	2.6
Issuance of common stock under stock option plans	240,563	—	2.4	—	—	2.4
Issuance of restricted stock awards, net of forfeitures	10,936	—	(1.8)	—	—	(1.8)
Stock-based compensation expense	—	—	5.3	—	—	5.3
Balance at December 28, 2014	23,143,609	$ 0.2	$ 46.4	$ 19.3	$ (0.1)	$ 65.8
Net income	—	—	—	44.1	—	44.1
Other comprehensive income, net of tax	—	—	—	—	(0.1)	(0.1)
Repurchases and retirement of shares	(1,084,478)	—	(58.2)	(3.8)	—	(62.0)
Excess tax benefit from stock-based compensation	—	—	7.6	—	—	7.6
Issuance of common stock under stock option plans	275,973	—	2.5	—	—	2.5
Issuance of restricted stock awards, net of forfeitures	114,593	—	(5.0)	—	—	(5.0)
Stock-based compensation expense	—	—	6.7	—	—	6.7
Balance at December 27, 2015	22,449,697	$ 0.2	$ —	$ 59.6	$ (0.2)	$ 59.6
Net income	—	—	—	42.8	—	42.8
Other comprehensive income (loss), net of tax	—	—	—	—	0.1	0.1
Repurchases and retirement of shares	(1,815,574)	—	(5.9)	(94.1)	—	(100.0)
Excess tax benefit from stock-based compensation	—	—	1.0	—	—	1.0
Issuance of common stock under stock option plans	32,158	—	0.5	—	—	0.5
Issuance of restricted stock awards, net of forfeitures	61,664	—	(2.4)	—	—	(2.4)
Stock-based compensation expense	—	—	6.8	—	—	6.8
Balance at December 25, 2016	**20,727,945**	**$ 0.2**	**$ —**	**$ 8.3**	**$ (0.1)**	**$ 8.4**

The accompanying notes are an integral part of these consolidated financial statements.

Popeyes Louisiana Kitchen, Inc.
Consolidated Statements of Cash Flows
For Fiscal Years 2016 , 2015 , and 2014
(In millions)

	2016	2015	2014
Cash flows provided by (used in) operating activities:			
Net income	$ 42.8	$ 44.1	$ 38.0
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	10.1	9.7	8.7
Asset impairments	3.7	—	—
Net (gain) loss on sale and disposal of assets	0.4	(0.1)	(0.8)
Deferred income taxes	(2.3)	4.2	2.4
Non-cash interest expense, net	0.4	0.4	1.0
Excess tax benefit from share-based payment arrangements	(1.0)	(7.6)	(2.6)
Stock-based compensation expense	6.8	6.7	5.3
Change in operating assets and liabilities:			
Accounts receivable	(0.2)	(0.5)	0.4
Other operating assets	4.8	6.7	4.9
Accounts payable and other operating liabilities	0.9	(0.9)	2.3
Net cash provided by operating activities	66.4	62.7	59.6
Cash flows provided by (used in) investing activities:			
Capital expenditures	(10.4)	(12.8)	(27.8)
Proceeds from dispositions of property and equipment	0.2	0.2	1.3
Investment in indefinite-lived assets	—	—	(41.8)
Net cash used in investing activities	(10.2)	(12.6)	(68.3)
Cash flows provided by (used in) financing activities:			
Principal payments — 2013 credit facility	(109.0)	(3.0)	—
Borrowings under 2013 credit facility	—	6.0	43.0
Borrowings under 2016 credit facility	155.5	—	—
Excess tax benefits from share-based payment arrangements	1.0	7.6	2.6
Share repurchases	(100.0)	(62.0)	(40.0)
Proceeds from exercise of employee stock options	0.5	2.5	2.4
Debt issuance costs	(1.1)	—	—
Other financing activities, net	(0.6)	(0.5)	(0.5)
Net cash provided by (used in) financing activities	(53.7)	(49.4)	7.5
Net increase (decrease) in cash and cash equivalents	2.5	0.7	(1.2)
Cash and cash equivalents at beginning of year	9.1	8.4	9.6
Cash and cash equivalents at end of year	$ 11.6	$ 9.1	$ 8.4

The accompanying notes are an integral part of these consolidated financial statements.

Popeyes Louisiana Kitchen, Inc.
Notes to Consolidated Financial Statements
For Fiscal Years 2016 , 2015 , and 2014

Note 1 — Description of Business

Popeyes Louisiana Kitchen, Inc. (“Popeyes” or “the Company”) develops, operates and franchises quick-service restaurants under the trade name Popeyes ® Louisiana Kitchen and Popeyes ® Chicken & Biscuits in 48 states, the District of Columbia, three territories, and 25 foreign countries.

Note 2 — Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions are eliminated in consolidation.

Use of Estimates. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities. These estimates affect the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during each reporting period. Actual results could differ from those estimates.

Fiscal Year. The Company has a 52/53-week fiscal year that ends on the last Sunday in December. The 2016 , 2015 and 2014 fiscal years all consisted of 52 weeks.

Cash and Cash Equivalents. The Company considers all money market investment instruments and certificates of deposit with original maturities of three months or less to be cash equivalents. Under the terms of the Company’s bank agreements, outstanding checks in excess of the cash balances in the Company’s primary disbursement accounts create a bank overdraft liability. Bank overdrafts were insignificant for both fiscal years 2016 and 2015.

Supplemental Cash Flow Information.

(in millions)	2016	2015	2014
Interest paid	$ 3.8	$ 3.0	$ 1.8
Accrued purchase of property and equipment	2.2	1.7	3.0
Property acquisition financed by promissory note	1.0	—	—
Income taxes paid, net	21.2	13.6	14.9

Accounts Receivable, Net. At December 25, 2016 and December 27, 2015 , accounts receivable, net were $9.3 million and $9.0 million , respectively. Accounts receivable consist primarily of amounts due from franchisees related to royalties, rents, and various miscellaneous items. The accounts receivable balance is stated net of an allowance for doubtful accounts. The Company reserves a franchisee’s receivable balance based upon the age of the receivable and consideration of other factors and events. During 2016 , 2015 , and 2014 , changes in the allowance for doubtful accounts were as follows:

(in millions)	2016	2015	2014
Balance, beginning of year	$ 0.1	$ 0.1	$ 0.1
Provisions for credit (recoveries) losses	0.1	0.1	—
Write-offs	—	(0.1)	—
Balance, end of year	$ 0.2	$ 0.1	$ 0.1

Notes Receivable, Net. Notes receivable primarily consist of notes from franchisees to finance certain past due franchise revenues and rents. The notes receivable balance is stated net of an allowance for uncollectible amounts which is evaluated each reporting period on a note-by-note basis. At December 25, 2016 and December 27, 2015 , notes receivable, net, were approximately $0.4 million and $0.5 million , respectively, of which $0.1 million was current. No notes were reserved at December 25, 2016 . The balance in the allowance account at December 27, 2015 was approximately $0.1 million .

Inventories. Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value and consist principally of food, beverage items, paper and supplies. At December 25, 2016 and December 27, 2015 , inventory of $0.8 million and $0.9 million was included as a component of “Other current assets.”

Property and Equipment. Property and equipment is stated at cost less accumulated depreciation.

Provisions for depreciation are made using the straight-line method over an asset’s estimated useful life: 7 to 35 years for buildings; 5 to 15 years for equipment; and in the case of leasehold improvements and capital lease assets, the lesser of the economic life of the asset or the lease term (generally 3 to 20 years). During 2016 , 2015 , and 2014 , depreciation expense was approximately $9.6 million , $9.2 million , and $8.2 million , respectively.

The Company capitalizes interest on external costs in connection with the construction of new restaurants. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset’s estimated useful life. No significant interest was incurred for such purposes in 2016 , 2015 and 2014 .

The Company evaluates property and equipment for impairment when circumstances arise indicating that a particular asset may be impaired. For property and equipment at Company-operated restaurants, annual impairment evaluations are performed on an individual restaurant basis. The Company evaluates restaurants using a “ two -year history of operating losses” as our primary indicator of potential impairment. The Company evaluates recoverability based on the restaurant’s forecasted undiscounted cash flows for the expected remaining useful life of the unit, which incorporate our best estimate of sales growth and margin improvement based upon our plans for the restaurant and actual results at comparable restaurants. The carrying values of restaurant assets that are not considered recoverable are written down to their estimated fair market value, which are generally measured by discounting estimated future cash flows.

Estimates of future cash flows are highly subjective judgments and can be significantly impacted by changes in the business or economic conditions. The discount rate used in the fair value calculations is our estimate of the required rate of return that a third party would expect to receive when purchasing a similar restaurant and the related long-lived assets.

The Company recorded $3.7 million in asset impairments as a component of "Other expenses (income), net" in the Consolidated Statements of Operations during the third quarter of 2016. No impairments were recorded in 2015 or 2014. See Note 5 for further discussion.

Goodwill, Trademarks, and Other Intangible Assets. Amounts assigned to goodwill arose from the allocation of reorganization value when the Company emerged from bankruptcy in 1992 and from business combinations accounted for by the purchase method. Amounts assigned to trademarks arose from the allocation of reorganization value when the Company emerged from bankruptcy in 1992. These assets are deemed indefinite-lived assets and are not amortized for financial reporting purposes. See Note 6 for further disclosure.

The Company’s finite-lived intangible assets (primarily re-acquired franchise rights) are amortized on a straight-line basis over 10 to 20 years based on the remaining life of the original franchise agreement or lease agreement. See Note 6 for further disclosure.

Costs incurred to renew or extend the term of recognized intangibles are expensed as incurred and reported as a component of “General and administrative expenses.”

The Company evaluates goodwill for impairment on an annual basis as of the first day of the fourth quarter or more frequently when circumstances arise indicating that goodwill may be impaired using a two-step process. The first step of the impairment evaluation includes a comparison of the fair value of each of the Company’s reporting units with their carrying value. The Company’s reporting units are its business segments. The Company uses a discounted cash flow methodology to estimate the fair value of its reporting units. The operating assumptions used to estimate future cash flows are consistent with the reporting unit’s past performance and with the projections and assumptions that are used in the Company’s current operating plans. Such assumptions are subject to change as a result of changing economic and competitive conditions. The discount rate used in estimating the fair value of the reporting units is our estimate of a market participant’s required rate of return. If a reporting unit’s carrying value exceeds its fair value, goodwill is impaired down to its implied fair value determined in the same manner as a business combination. During 2016 , 2015 and 2014 , there was no impairment of goodwill identified during the Company’s annual impairment testing.

The Company-operated restaurants segment has goodwill of $2.1 million as of the end of 2016 . While the operating assumptions used to estimate the segment’s fair value reflect what the Company believes are reasonable and achievable growth rates, failure to realize these growth rates could result in future impairment of the recorded goodwill. If the Company believes the risks inherent in the business increase, the resulting change in the assumed discount rate could also result in future goodwill impairment.

During 2016, the Company included $0.1 million of goodwill in the carrying value of the 17 restaurants in Indianapolis, Indiana in the determination of the loss on the refranchising of the restaurants. See Note 16 for further details.

The Company evaluates trademarks, recipes and formulas, and other indefinite-lived intangible assets for impairment annually during the fourth quarter or when events or changes in circumstances indicate that it is more likely than not that the asset may be impaired. When evaluating an indefinite-lived asset for impairment, the Company compares the estimated fair value of the indefinite-lived intangible asset to its carrying value. If the carrying value exceeds the estimated fair value of the asset, the asset is impaired down to its estimated fair value. The Company uses a relief from royalty methodology to estimate the fair value of its indefinite-lived intangible assets. During 2016 , 2015 and 2014 , there was no indicated impairment of indefinite-lived intangible assets as a result of the Company's annual impairment testing. The estimated fair values of our indefinite-lived intangible assets were substantially in excess of their carrying values as of the 2016 evaluation date.

Fair Value Measurements. Fair value is the price the Company would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. For those assets and liabilities recorded or disclosed at fair value, we determine fair value based upon the quoted market price, if available. If a quoted market price is not available for identical assets, we determine fair value based upon the quoted market price of similar assets or the present value of expected future cash flows considering the risks involved, including counterparty performance risk if appropriate, and using discount rates appropriate for the duration. The fair values are assigned a level within the fair value hierarchy, depending on the source of the inputs into the calculation.

Level 1	Inputs based upon quoted prices in active markets for identical assets.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
Level 3	Inputs that are unobservable for the asset.

Debt Issuance Costs. Costs incurred to secure new debt facilities are capitalized and then amortized utilizing a method that approximates the effective interest method for term loans and the straight-line method for revolving credit facilities. Absent a basis for cost deferral, debt amendment fees are expensed as incurred. Debt issuance costs are classified as "Other long-term assets, net" on the Company's Consolidated Balance Sheet. The Company adopted the FASB's updated guidance on debt issuance costs beginning in 2016. The Company classified its debt issuance costs as a direct reduction of the carrying amount of our revolving credit facility during the interim periods in 2016. During the fourth quarter of 2016, we changed our accounting policy to present such costs as an asset regardless of whether there are any outstanding borrowings on the revolving credit arrangement consistent with prior year's classification. This change did not have a material impact on our financial results.

Unamortized debt issuance costs were $1.4 million and $0.7 million as of December 25, 2016 and December 27, 2015 , respectfully. In the Company's Consolidated Statements of Operations, the amortization of debt issuance costs, write-off of debt issuance costs when a debt facility is modified or prematurely paid off, and debt amendment fees are included as a component of "Interest expense, net." During 2016, the Company expensed $0.1 million of deferred debt costs due to the retirement of the 2013 Revolving Credit Facility.

Advertising Cooperative. The Company maintains an advertising cooperative that receives contributions from the Company and from its franchisees, based upon a percentage of restaurant sales, as required by their franchise agreements. This cooperative is used exclusively for marketing of the Popeyes brand. The Company acts as an agent for the franchisees with regards to their contributions to the advertising cooperative.

In the Company's consolidated financial statements, contributions received and expenses of the advertising cooperative are excluded from the Company's Consolidated Statements of Operations and the Consolidated Statements of Cash Flow. The Company reports all assets and liabilities of the advertising cooperative as "Advertising cooperative assets, restricted" and "Advertising cooperative liabilities" in the Consolidated Balance Sheets. The advertising cooperatives assets, consisting primarily of cash and accounts receivable from the franchisees, can only be used for selected purposes and are considered restricted. The advertising cooperative liabilities represent the corresponding obligation arising from the receipt of the contributions to purchase advertising and promotional programs.

The Company's contributions to the advertising cooperative based on Company-operated restaurant sales are reflected in the Company's Consolidated Statements of Operations as a component of "Restaurant employee, occupancy and other expenses." Additional contributions to the advertising cooperative for national media advertising and other marketing related costs are expensed as a component of "General and administrative expenses." During 2016 , 2015 , and 2014 , the Company's advertising costs were approximately $4.6 million , $5.4 million , and $3.9 million , respectively.

Leases. When determining the lease term, the Company includes option periods for which failure to renew the lease imposes economic penalty on the Company in such an amount that a renewal appears, at the inception of the lease, to be reasonably assured. The lease term commences on the date when the Company has the right to control the use of the leased property, which can occur before the rent payments are due under the terms of the lease.

The Company records rent expense for leases that contain scheduled rent increases on a straight-line basis over the lease term, including any option periods considered in the determination of that lease term. Contingent rentals are generally based on sales levels in excess of stipulated amounts, and thus are not considered minimum lease payments and are included in rent expense as they accrue.

Tenant improvement allowances and other lease incentives are recognized as reductions to rent expense on a straight-line basis over the lease term.

Commitments and Contingencies. Contingent liabilities are reserved when the Company is able to assess that an expected loss is both probable and reasonably estimable. See Note 15 for further discussion.

Accumulated Other Comprehensive Loss. Comprehensive income (loss) is net income plus the change in fair value of the Company's cash flow hedge discussed in Note 9 plus derivative (gains) or losses realized in earnings during the period. Amounts included in accumulated other comprehensive loss for the Company's derivative instruments are recorded net of the related income tax effects. As of December 25, 2016 and December 27, 2015 , accumulated other comprehensive loss consisted of derivative losses associated with the company's interest rate swap agreements.

Revenue Recognition — Sales by Company-Operated Restaurants. Revenues from the sale of food and beverage products are recognized on a cash basis. The Company presents sales net of sales tax and other sales related taxes.

Revenue Recognition — Franchise Operations. Revenues from franchising activities include development fees associated with a franchisee's planned development of a specified number of restaurants within a defined geographic territory, franchise fees associated with the opening of new restaurants, and ongoing royalty fees which are generally based on five percent of net restaurant sales. Development fees and franchise fees are recorded as deferred franchise revenue when received and are recognized as revenue when the restaurants covered by the fees are opened or all material services or conditions relating to the fees have been substantially performed or satisfied by the Company. The Company recognizes royalty revenues as earned. Franchise renewal fees are recognized when a renewal agreement becomes effective.

(in millions)	2016	2015	2014
Franchise royalties	$ 149.0	$ 138.7	$ 125.1
Franchise fees	5.8	5.3	6.2
Franchise royalties and fees	$ 154.8	$ 144.0	$ 131.3

Rent from Franchised Restaurants. Rent from franchised restaurants is composed of rental income and other fees associated with properties leased or subleased to franchisees. Our typical restaurant leases to franchisees are triple net to the franchisee, requiring them to pay minimum rent or percentage rent based on sales in excess of specified amounts or both minimum rent and percentage rent plus real estate taxes, maintenance costs and insurance premiums. These leases are typically cross-defaulted with the corresponding franchise agreement for the restaurant. Minimum rents are recognized on the straight-line basis over the lease term. Percentage rents based on sales are recognized as earned.

Cash Consideration from Vendors. The Company has entered into long-term beverage supply agreements with certain major beverage vendors. Pursuant to the terms of these arrangements, marketing rebates are provided to the Company and its advertising fund from the beverage vendors based upon the dollar volume of purchases for Company-operated restaurants and franchised restaurants. For Company-operated restaurants, these incentives are recognized as earned throughout the year and are classified as a reduction of "Restaurant food, beverages and packaging" in the consolidated statements of operations. The incentives recognized by Company-operated restaurants were approximately $1.4 million , $1.4 million , and $1.1 million in 2016 , 2015 , and

2014 , respectively. Rebates earned and contributed to the cooperative advertising fund are excluded from the Company's Consolidated Statements of Operations.

Gains and Losses Associated With Refranchising. From time to time, the Company engages in refranchising transactions. Typically, these transactions involve the sale of a Company-operated restaurant to an existing or new franchisee.

The Company defers gains on the sale of Company-operated restaurants when the Company has continuing involvement in the assets sold beyond the customary franchisor role. The Company's continuing involvement generally includes seller financing or the leasing of real estate to the franchisee. Deferred gains are recognized over the remaining term of the continuing involvement. Losses are recognized immediately.

During the fourth quarter 2016 , the Company refranchised the 17 Company-operated restaurants in the Indianapolis, Indiana market to existing franchisees. The Company recorded a $0.1 million loss on the refranchising of the restaurants. See Note 16 for further discussion. There were no sales of Company-operated restaurants in 2015 or 2014 .

During 2016 , 2015 and 2014 , previously deferred gains of approximately $0.1 million , $0.3 million , and $0.2 million , respectively, were recognized in income as a component of "Other expenses (income), net" in the accompanying Consolidated Statements of Operations. As of December 25, 2016 , the Company had $0.4 million in deferred gains on unit conversions reported as a component of "Deferred Credits and Other Long-Term Liabilities".

Research and Development. Research and development costs are expensed as incurred. During 2016 , 2015 , and 2014 such costs were approximately $2.2 million , $2.3 million , and $2.3 million , respectively.

Foreign Currency Transactions. Substantially all of the Company's foreign-sourced revenues (principally royalties from international franchisees) are recorded in U.S. dollars. The aggregate effects of any exchange gains or losses are included in the accompanying Consolidated Statements of Operations as a component of "General and administrative expenses." The net foreign currency losses were insignificant in 2016 and $0.1 million in 2015 and 2014 .

Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss, capital loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company provides a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company carried a valuation allowance on deferred tax assets of $8.7 million at December 25, 2016 and $7.8 million at December 27, 2015 , based on the view that it is more likely than not that the Company will not be able to realize tax benefits associated with certain state operating loss carryforwards which continue to expire, certain state indefinite-lived intangible assets, and other deferred tax assets.

The Company recognizes the benefit of positions taken or expected to be taken in a tax return in the financial statements when it is more likely than not (i.e. a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. Changes in judgment that result in subsequent recognition, derecognition or change in a measurement of a tax position taken in a prior annual period (including any related interest and penalties) are recognized as a discrete item in the interim period in which the change occurs. At December 25, 2016 , we had approximately $1.2 million of unrecognized tax benefits, $0.1 million of which, if recognized, would affect the effective tax rate. At December 25, 2016 , the Company had approximately $0.1 million of accrued interest and penalties related to uncertain tax positions.

Deferred income tax liabilities and assets are classified as non-current and are included in "Deferred credits and other long-term liabilities" on the Company's consolidated balance sheet. The Company early adopted FASB issued ASU 2015-7, "Income Taxes: Balance Sheet Classification of Deferred Taxes", and retrospectively adjusted the prior period, resulting in a $0.8 million reclassification of Other Current Liabilities to Deferred Credits and Other Long-Term Liabilities on the Company's December 27, 2015 Consolidated Balance Sheet.

See Note 18 for additional information regarding income taxes.

Stock-Based Compensation Expense. The Company measures and recognizes compensation cost at fair value for all share-based payments, including stock options, restricted share awards and restricted share units. The fair value of stock options with only service conditions are estimated using a Black-Scholes option-pricing model. Restricted share awards and restricted share units are valued at the market price of the Company's shares on the grant date. The fair value of restricted share awards with service and market conditions are valued utilizing a Monte Carlo simulation model. The fair value of stock-based compensation is amortized either on the graded vesting attribution method or on the cliff vesting attribution method depending on the specific award. The Company issues new shares for common stock upon exercise of stock options. The option pricing models require various highly subjective and judgmental assumptions including risk-free interest rates, expected volatility of our stock price, expected forfeiture rates, expected dividend yield and expected term. If any of the assumptions used in the models change significantly, share-based compensation expense may differ materially in the future from that recorded in the current period. The specific weighted average assumptions used to estimate the fair value of stock-based employee compensation are set forth in Note 13 to the Consolidated Financial Statements included in this Form 10-K.

In June 2014, the FASB issued guidance that requires that a performance target for a share-based payment award that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The performance condition should not be reflected in the grant date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period for which the requisite service has already been rendered. This guidance was effective for annual periods and interim periods within those annual periods beginning after December 15, 2015 which was our fiscal 2016. The Company already applied the standards proscribed in this guidance so it had impact to its consolidated financial statements and disclosures.

The Company recorded $6.8 million ($4.2 million net of tax), $6.7 million ($4.2 million net of tax), and $5.3 million ($3.3 million net of tax), in total stock-based compensation expense during 2016 , 2015 , and 2014 , respectively.

Derivative Financial Instruments. The Company uses interest rate swap agreements to reduce its interest rate risk on its floating rate debt under the terms of its credit facility. The Company recognizes all derivatives on the balance sheet at fair value. At inception and on an on-going basis, the Company assesses whether each derivative that qualifies for hedge accounting continues to be highly effective in offsetting changes in the cash flows of the hedged item. If the derivative meets the hedge criteria as defined by certain accounting standards, changes in the fair value of the derivative are recognized in accumulated other comprehensive loss until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value, if any, is immediately recognized in earnings.

Share Repurchases. The company is incorporated in the State of Minnesota and under the laws of that state shares of its own common stock that are acquired by the Company constitute authorized but unissued shares. The cost of the acquisition by the Company of shares of its own stock in excess of the aggregate par value of the shares first reduces additional paid-in-capital, to the extent available, with any residual cost applied against retained earnings.

Going Concern. The Company's consolidated financial statements were prepared on the basis that the Company is able to continue as a going concern. There are no conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are issued.

Revisions. To conform with current year presentation, a revision was made to the consolidated statements of comprehensive income for the fiscal year 2015 to reflect the reclassification of derivative losses into net income separate from unrealized derivative losses arising during the period. The reclassification increased derivative losses into net income by $0.8 million in fiscal year 2015. The revision had no impact on other comprehensive income (loss), net of income taxes. The reclassification noted above represent corrections that are not deemed material, individually or in the aggregate, to the prior period consolidated financial statements.

Subsequent Events . The Company discloses material events that occur after the balance sheet date but before the financial statements are issued. In general, these events are recognized if the condition existed at the date of the balance sheet, but not recognized if the condition did not exist at the balance sheet date.

On February 15, 2017, the Company increased the revolving loan commitments under its 2016 revolving credit facility to $400 million . See Note 22 for further discussion.

Note 3 — Recent Accounting Pronouncements That the Company Has Not Yet Adopted

Revenue Recognition. In May 2014, the FASB issued guidance for recognizing revenue in contracts with customers across all industries. This guidance requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard allows for either a full retrospective or modified retrospective transition method. This guidance will be effective for our fiscal 2018 which begins on January 1, 2018. The guidance is not expected to impact our recognition of sales from Company-operated restaurants, ongoing royalty fees which are based on a percentage of franchise sales, or rent from franchised restaurants which is composed of rental income and other fees associated with properties leased or subleased to franchisees. We are continuing to evaluate the impact the adoption of this standard will have on the recognition of development, franchise, renewal and other franchise fees.

Leases. In February 2016, the FASB issued ASU 2016-2, "Leases," which amends the current lease accounting standards by requiring companies to recognize a right-of-use asset, a lease liability for all operating and capital leases (financing) with lease terms greater that twelve months, and disclosure of key information about leasing arrangements. This guidance is effective for interim and annual periods beginning after December 15, 2018 (fiscal 2019 for the Company), and early adoption is permitted. Upon initial review, the Company expects that most of its operating lease commitments for land and buildings of Company-operated restaurants and restaurants leased to franchisees will be subject to the new guidance and recognized as operating lease liabilities and right-of-use assets upon adoption, resulting in a significant increase in the assets and liabilities on our consolidated balance sheets. Continued evaluation may identify additional impacts this standard will have on the consolidated financial statements and related disclosures.

Stock-based Compensation. In March 2016, the FASB issued ASU 2016-9, "Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting". This guidance changes how companies account for certain aspects of share-based payment awards to employees including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This standard is effective for the reporting periods beginning after December 15, 2016 (fiscal 2017 for the Company). The adoption of this standard will not have a significant impact on our stock-based compensation expense. We are continuing to evaluate the impact the adoption of this standard will have on the recognition of income tax expense and the presentation of cash flows provided by operating and financing activities in our consolidated statements of cash flows.

We have reviewed other recently issued accounting pronouncements by the FASB and other standards-setting bodies and concluded that they are either not applicable to our business or are expected to have an immaterial impact on the financial statements upon adoption.

Note 4 — Other Current Assets

(in millions)	2016	2015
Prepaid income taxes	$ —	$ 3.6
Prepaid expenses and other current assets	4.9	4.9
Total	$ 4.9	$ 8.5

Note 5— Property and Equipment, Net

(in millions)	2016	2015
Land	$ 20.9	$ 19.3
Buildings and improvements	86.0	82.4
Equipment	43.6	42.3
Properties held for sale and other	—	0.1
	150.5	144.1
Less accumulated depreciation and amortization	(54.9)	(46.4)
Total	$ 95.6	$ 97.7

At December 25, 2016 and December 27, 2015 , property and equipment, net included capital lease assets with a gross book value of $1.8 million and accumulated amortization of $0.4 million and $0.3 million , respectively.

During 2016, the Company refranchised its 17 Company-operated restaurants in Indianapolis and concluded that certain other assets would be disposed before the end of their estimated useful lives. Accordingly, the Company recorded $3.7 million in asset impairments as a component of "Other expenses (income), net" in the Consolidated Statements of Operations during the third quarter of 2016. The Company impaired $2.9 million in buildings and improvements and $0.8 million in equipment. The asset impairments included $2.6 million for two Company-operated restaurants and $1.1 million for two restaurants leased to franchisees.

Note 6 — Trademarks and Other Intangible Assets, Net

(in millions)	2016	2015
Indefinite lived intangible assets:		
Trademarks	$ 50.0	$ 50.0
Recipes and formulas	41.8	41.8
Other	0.6	0.6
	92.4	92.4
Amortizable intangible assets:		
Re-acquired franchise rights	7.1	7.1
Accumulated amortization	(5.8)	(5.3)
	1.3	1.8
Total	$ 93.7	$ 94.2

Amortization expense was approximately $0.5 million for 2016 , 2015 , and 2014 , respectively. Estimated amortization expense is expected to be approximately $0.5 million in 2017, $0.4 million in 2018, $0.2 million in 2019, and $0.2 million in 2020. The remaining weighted average amortization period for these assets is 4 years.

Note 7 — Other Current Liabilities

(in millions)	2016	2015
Accrued wages, bonuses and severances	$ 6.6	$ 8.7
Accrued income taxes payable	1.4	—
Other	5.0	4.4
Total	$ 13.0	$ 13.1

Note 8 — Fair Value Measurements

The following table reflects assets and liabilities that are measured and carried at fair value on a recurring basis as of December 25, 2016 and December 27, 2015 :

	Quoted Prices in Active Markets for Identical Asset or Liability (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Value
December 25, 2016				
Financial Assets				
Cash equivalents	$ 11.8	$ —	$ —	$ 11.8
Total assets at fair value	$ 11.8	$ —	$ —	$ 11.8
Financial Liabilities				
Long term debt and other borrowings	$ —	$ 166.9	$ —	$ 159.8
Interest Rate Swap Agreement	—	0.2	—	0.2
Total liabilities at fair value	$ —	$ 167.1	$ —	$ 160.0

	Quoted Prices in Active Markets for Identical Asset or Liability (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Value
December 27, 2015				
Financial Assets				
Cash equivalents	$ 9.6	$ —	$ —	$ 9.6
Restricted cash (advertising cooperative assets)	4.3	—	—	4.3
Total assets at fair value	$ 13.9	$ —	$ —	$ 13.9
Financial Liabilities				
Long term debt and other borrowings	$ —	$ 115.5	$ —	$ 112.6
Interest Rate Swap Agreement	—	0.4	—	0.4
Total liabilities at fair value	$ —	$ 115.9	$ —	$ 113.0

At December 25, 2016 and December 27, 2015 , the fair value of the Company's current assets and current liabilities approximates carrying value because of the short-term nature of these instruments.

The fair value of the Company's long-term debt was approximately $166.9 million and $115.5 million on December 25, 2016 and December 27, 2015 , respectively. The carrying value of our long-term debt, as discussed in Note 9, was $159.8 million and $112.6 million on December 25, 2016 and December 27, 2015 , respectively. The fair value of each of the Company's long-term debt instruments is based on the amount of future cash flows associated with each instrument, discounted using the Company's current borrowing rate for a similar debt instrument of comparable maturity and is considered a Level 2 valuation.

The fair value of the Company's interest rate swap agreements at December 25, 2016 were 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 swap, as well as considering published discount factors, and projected London Interbank Offered Rates ("LIBOR"). The fair values of each of the Company's long-term debt instruments are based on the amount of future cash flows associated with each instrument, discounted using the Company's current borrowing rate for similar debt instruments of comparable maturity. The interest rate swap agreements are presented as Level 2 assets when amounts are significant.

Note 9 — Long-Term Debt and Other Borrowings

(in millions)	2016	2015
2013 Revolving Credit Facility	$ —	$ 109.0
2016 Revolving Credit Facility	155.5	—
Capital lease obligations	2.2	2.2
Promissory note	1.0	—
Other notes	1.1	1.4
	159.8	112.6
Less current portion	(0.5)	(0.3)
Long-term debt	$ 159.3	$ 112.3

2016 Revolving Credit Facility. On January 22, 2016, the Company entered into a five -year $250.0 million secured revolving credit facility (the "2016 Revolving Credit Facility") that replaced the Company's 2013 revolving credit facility (the "2013 Revolving Credit Facility") that consisted of a five -year $135.0 million revolving credit facility.

The Company may obtain other short-term borrowings up to $10.0 million and letters of credit up to $20.0 million . Collectively, these other borrowings and letters of credit may not exceed the amount of unused borrowings under the 2016 Revolving Credit Facility. As of December 25, 2016 , the Company had $0.1 million of outstanding letters of credit. Availability for short-term borrowings and letters of credit under the revolving credit facility was $94.4 million as of December 25, 2016 . Other key terms in the 2016 Revolving Credit Facility include the following:

- The Company must maintain a Consolidated Total Leverage Ratio of less than or equal to 4.00 to 1.0.

- The Company must maintain a Minimum Consolidated Fixed Charge Coverage Ratio of greater than or equal to 1.25 to 1.0.
- The Company may repurchase and retire its common shares when the Consolidated Total Leverage Ratio is less than or equal to 3.5 to 1.0 (subject to certain conditions).
- Borrowings under the 2016 Revolving Credit Facility will bear interest based upon the LIBOR Rate or the Base Rate (each as defined in the 2016 Revolving Credit Facility) plus an applicable margin based on the Company's Consolidated Total Leverage Ratio (as defined in the facility). The borrowings currently bear interest at the LIBOR Rate plus 1.50%, the same as in the prior facility. The Company will pay (quarterly in arrears) an annual commitment fee based on its Consolidated Total Leverage Ratio on the unused portions of the facility.

The 2016 Revolving Credit Facility was secured by a first priority security interest in substantially all of the Company's assets, excluding real estate. The 2016 Revolving Credit Facility contained financial and other covenants, including covenants requiring the Company to maintain various financial ratios, limiting its ability to incur additional indebtedness, restricted the amount of capital expenditures that may be incurred, restricted the payment of cash dividends, and limited the amount of debt which could have been loaned to the Company's franchisees or guaranteed on their behalf. This facility also limited the Company's ability to engage in mergers or acquisitions, sell certain assets, repurchase its common stock and enter into certain lease transactions. The 2016 Revolving Credit Facility included customary events of default, including, but not limited to, the failure to pay any interest, principal or fees when due, the failure to perform certain covenant agreements, inaccurate or false representations or warranties, insolvency or bankruptcy, change of control, the occurrence of certain ERISA events and judgment defaults.

As of December 25, 2016 , the Company was in compliance with the financial and other covenants of the 2016 Revolving Credit Facility. The Company's weighted average interest rate for all outstanding indebtedness under the 2016 Revolving Credit Facility, including fixed and floating rate debt, was 2.4% as of December 25, 2016 .

On February 15, 2017, the Company increased the aggregate revolving loan commitments under the credit facility to $400 million . See Note 22 for further discussion.

2013 Revolving Credit Facility . On December 18, 2013, the Company entered into a bank credit facility with a group of lenders consisting of a five year $125.0 million dollar revolving credit facility.

Outstanding balances accrued interest at a margin of 125 to 250 basis points over the London Interbank Offered Rate ("LIBOR") or other alternative indices plus an applicable margin as specified in the facility. The commitment fee on the unused balance under the facility ranged from 15 to 40 basis points. The increment over LIBOR and the commitment fee were determined quarterly based upon the Consolidated Total Leverage Ratio. As of December 27, 2015 and December 28, 2014, the Company's weighted average interest rates for all outstanding indebtedness under its credit facilities were 2.5% and 1.7% respectively.

Promissory Note . On February 12, 2016, the Company entered into a five-year $1.0 million promissory note for the purchase of land for a new Company-operated restaurant. Under the terms of the promissory note, the Company will pay five equal annual installments of $0.2 million plus 1.75% interest beginning in the first quarter 2017.

Future Debt Maturities. At December 25, 2016 , aggregate future debt maturities, excluding capital lease obligations, were as follows:

(in millions)		
2017	$	0.5
2018		0.6
2019		0.6
2020		0.2
2021		155.7
	$	157.6

Interest Rate Swap Agreements. The Company uses interest rate swap agreements to fix the interest rate exposure on a portion of its outstanding revolving debt. On December 16, 2014 and June 15, 2015 the Company entered into interest rate swap contracts effective January 5, 2015 and July 6, 2015, respectively. The Company's interest rate swap contracts limit the interest rate exposure on $85 million of floating rate debt borrowed under its Revolving Credit Facilities to a fixed rate of 2.70% . The swap agreements are scheduled to expire January 5, 2018 .

The Effect of Derivative Instruments on the Statement of Operations

	Amount of Gain/(Loss) recognized into AOCI				Amount of Loss Reclassified from AOCI to Income		
(In millions)	2016	2015	2014		2016	2015	2014
Interest rate swap agreements, net of tax	$ 0.1	$ (0.1)	$ 0.5	Interest expense, net	$ 0.6	$ 1.0	$ 0.8

Note 10 — Leases

The Company leases property and equipment associated with its (1) corporate facilities; (2) 42 of its Company-operated restaurants; (3) 50 restaurant properties that are subleased to franchisees; and (4) four properties that are subleased to unrelated third parties.

At December 25, 2016 , future minimum payments under capital and non-cancelable operating leases were as follows:

(in millions)	Capital Leases	Operating Leases
2017	$ 0.2	$ 8.1
2018	0.2	7.7
2019	0.2	7.5
2020	0.3	7.3
2021	0.3	7.1
Thereafter	4.2	108.5
Future minimum lease payments	5.4	146.2
Less amounts representing interest	3.2	—
Total	$ 2.2	$ 146.2

During 2016 , 2015 , and 2014 , rental expense was approximately $8.1 million , $7.9 million , and $7.1 million , respectively. There was no significant contingent rental expense in 2016 , 2015 and 2014 , respectively. At December 25, 2016 , the implicit rate of interest on capital leases ranged from 8.1% to 16.0% .

The Company leases 32 restaurant properties and subleases 50 restaurant properties to franchisees. Our typical restaurant leases and subleases to franchisees are triple net to the franchisee, requiring them to pay minimum rent or percentage rent based on sales in excess of specified amounts or both minimum rent and percentage rent plus real estate taxes, maintenance costs and insurance premiums. At December 25, 2016 , the aggregate gross book value and net book value of owned properties that were leased to franchisees was approximately $60.4 million and $48.7 million , respectively. During 2016 , 2015 , and 2014 , rental income from these leases and subleases was approximately $5.8 million , $5.5 million , and $7.1 million , respectively. Included in the rental income was contingent rental income of $3.1 million , $3.2 million , and $3.7 million during 2016 , 2015 , and 2014 , respectively. At December 25, 2016 , future minimum rental income associated with these leases and subleases, are approximately $3.9 million in 2017, $3.5 million in 2018, $3.4 million in 2019, $3.3 million in 2020, $2.7 million in 2021, and $3.4 million thereafter.

Note 11 — Deferred Credits and Other Long-Term Liabilities

(in millions)	2016	2015
Deferred franchise revenues	$ 8.1	$ 5.4
Deferred rentals	8.3	8.1
Deferred income tax liability	18.4	20.5
Other long-term liabilities	4.6	5.3
Total	$ 39.4	$ 39.3

Other long-term liabilities primarily consist of unfavorable leases and unrecognized tax benefits.

Note 12 — Common Stock

Share Repurchase Program. In 2015, the Company's Board of Directors canceled the existing share repurchase program and replaced it with a $200 million open-ended share repurchase program. During 2016 , 2015 and 2014 , we repurchased and retired 1,815,574 shares, 1,084,478 shares and 891,931 shares of common stock for approximately $100.0 million , $62.0 million and $40.0 million , respectively.

As of December 25, 2016 , the remaining value of shares that may be repurchased under the program was $93.0 million .

Pursuant to the terms of the Company’s 2016 Revolving Credit Facility, the Company may repurchase its common stock when the Total Leverage Ratio is less than 3.5 to 1.0 . Total Leverage Ratio, as defined in the 2016 Revolving Credit Facility, is the ratio of the Company’s Consolidated Total Indebtedness to Consolidated EBITDA for the four immediately preceding fiscal quarters. The Total Leverage Ratio at December 25, 2016 was 1.7 to 1.0 .

Dividends. During 2016 , 2015 and 2014 , the Company paid no dividends.

Note 13 — Incentive Stock Plans

Plan Summary. In May 2015, the Company’s shareholders approved the 2015 Incentive Stock Plan replacing the existing 2006 Incentive Stock Plan. The plan provides for the grant of non-qualified stock options, restricted stock, stock appreciation rights, performance-based restricted stock and restricted share units. The Company grants stock options at a price equal to the fair market value of the Company’s stock on the date of grant. Stock options vest ratably over three years and expire seven years from the date of grant if unexercised. Restricted stock generally vests (the restrictions lapse) at the end of a three -year period or on a graded basis over a three -year period. Restricted share units granted to the Company’s board of directors vest ratably over a one -year period and are convertible into shares of the Company’s common stock on a 1 :1 basis at such time the director no longer serves on the board.

Under the Company’s plan, approximately 2.2 million shares have been authorized to be granted to employees and directors. Approximately 2.0 million shares are available for future grants as of December 27, 2015.

Non-Qualified Stock Options

The table below summarizes the Company’s stock option activity for the fiscal year ended December 25, 2016 .

(shares in thousands)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (millions)
Stock options:				
Outstanding at beginning of year	293	$ 34.06		
Granted options	87	52.93		
Exercised options	(29)	16.97		
Outstanding at end of year	351	$ 40.11	4.2	$ 7.6
Exercisable at end of year	198	$ 30.01	3.1	$ 6.2

The aggregate intrinsic value in the above table represents the total pre-tax intrinsic value (the difference between the Company’s closing stock price on the last trading date of 2016 and the exercise price, multiplied by the number of options). The amount of aggregate intrinsic value will change based on the fair market value of the Company’s common stock.

The Company recognized approximately $1.4 million , $1.4 million , and $1.1 million in stock-based compensation expense associated with its stock option grants during 2016 , 2015 , and 2014 , respectively. As of December 25, 2016 , there was approximately $1.4 million of total unrecognized compensation costs related to unvested stock options which are expected to be recognized over a weighted average period of approximately 1.4 years. The total fair value at grant date of awards which vested during 2016 , 2015 , and 2014 was $1.2 million , $0.9 million , and $0.9 million , respectively.

The weighted average grant date fair value of awards granted during 2016 , 2015 , and 2014 was $21.18 , $24.65 , and $17.93 , respectively. The total intrinsic value of stock options exercised during 2016 , 2015 , and 2014 was $1.1 million , $9.0 million and $6.4 million , respectively

During 2016 , 2015 , and 2014 , the fair value of option awards were estimated on the date of grant using a Black-Scholes option-pricing model. The fair value of stock-based compensation is amortized on the graded vesting attribution method. The following weighted average assumptions were used for the grants:

	2016	2015	2014
Risk-free interest rate	1.2%	1.4%	1.8%
Expected dividend yield	—%	—%	—%
Expected term (in years)	4.5	4.5	4.5
Expected volatility	47.2%	48.8%	50.6%

The risk-free interest rate is based on the United States treasury yields in effect at the time of grant. The expected term of options represents the period of time that options granted are expected to be outstanding based on the vesting period, the term of the option agreement and historical exercise patterns. The estimated volatility is based on the historical volatility of the Company's stock price.

The following table summarizes the non-vested stock option activity for the 52 week period ended December 25, 2016 :

(shares in thousands)	Shares	Weighted Average Grant Date Fair Value
Unvested stock options outstanding at beginning of period	129	$ 21.49
Granted	87	21.18
Vested	(62)	19.32
Unvested stock options outstanding at end of period	154	$ 22.21

Performance Based Stock Awards

The Company's current long-term incentive plan grants performance based stock awards which are earned subject to the Company meeting three -year cumulative EBITDA goals. EBITDA is defined as earnings before interest expense, taxes, depreciation and amortization. A three -year cumulative EBITDA goal is approved by the board of directors at the start of the three -year performance periods. Shares are earned based on a sliding scale of performance above and below the performance goal. The sliding scale is anchored by a minimum performance requirement of 95% of three -year cumulative EBITDA. If 95% of the performance goal is not achieved, then no performance shares are earned. If 95% is achieved, then 50% of the targeted shares are earned. If 100% of the performance goal is achieved, then award is paid at target. The maximum performance requirement is 110% of cumulative EBITDA. If maximum performance is achieved, then 200% of the targeted shares are earned. Shares earned by three-year cumulative EBITDA performance will be adjusted based on our three -year total shareholder return ("TSR") against a broader group of restaurant companies. Shares earned will be adjusted -10% if TSR performance is in the bottom quartile, and will be adjusted +10% if TSR performance is in the upper quartile. TSR represents stock price appreciation and dividends over the three-year performance period. Earned performance shares cliff vest three years from the date of issuance.

The following table summarizes the performance based stock awards activity for the 52 week period ended December 25, 2016 :

(share awards in thousands)	Shares	Weighted Average Grant Date Fair Value
Unvested performance based stock awards:		
Outstanding beginning of year	156	$ 47.11
Granted	109	$ 47.10
Vested	(87)	$ 36.34
Outstanding end of year	178	$ 52.44

The grant date fair values of the performance based stock awards are determined using a Monte-Carlo simulation model. The weighted average grant date fair value of restricted share awards granted during 2015 and 2014 were $32.58 and $42.92 , respectively.

These awards are amortized as expense on a straight line basis over the three-year vesting period. Compensation expense reflects the number of awards that are expected to vest and are adjusted to reflect those awards that do ultimately vest. The Company recognizes compensation expense for awards if and when the Company concludes that is is probable that the three-year cumulative EBITDA performance condition will be achieved. The Company recognized approximately $2.3 million , $3.3 million , and $2.8 million , in stock-based compensation expense associated with these awards during 2016 , 2015 , and 2014 , respectively. During the vesting period, recipients of the shares are entitled to dividends on such shares, provided that such shares are not forfeited. Dividends are accumulated and paid out at the end of the vesting period.

As of December 25, 2016 , there was approximately $4.0 million in unrecognized compensation cost related to unvested performance stock awards which are expected to be recognized over a weighted average period of approximately 2.2 years. The total fair value at grant date of awards which vested during 2016 and 2015 and 2014 was $3.2 million , $3.3 million and $2.2 million , respectively.

Restricted Stock Awards

The following table summarizes the restricted stock awards activity for the 52 week period ended December 25, 2016 :

(share awards in thousands)	Shares		Weighted Average Grant Date Fair Value
Unvested restricted stock awards:			
Outstanding beginning of year	58	$	55.60
Vested	(15)	$	52.13
Canceled	(2)	$	52.83
Outstanding end of year	41	$	57.02

The grant date fair values of the restricted stock awards are based on the Company's closing stock price on the date of the grant. The weighted average grant date fair value of restricted share awards granted during 2015 and 2014 were $59.62 and $40.57 , respectively.

These awards are amortized as expense on a graded basis over the three-year vesting period. The Company recognized approximately $1.0 million , $1.3 million , and $0.4 million , in stock-based compensation expense associated with these awards during 2016 , 2015 , and 2014 , respectively. During the vesting period, recipients of the shares are entitled to dividends on such shares, provided that such shares are not forfeited. Dividends are accumulated and paid out at the end of the vesting period.

As of December 25, 2016 , there was approximately $0.9 million of total unrecognized compensation cost related to unvested restricted stock awards which are expected to be recognized over a weighted average period of approximately 1.2 years. The total fair value at grant date of awards which vested during 2016 , 2015 , and 2014 , was $0.8 million , $0.6 million , and $0.1 million , respectively.

Restricted Share Units - Employees

In 2016, the Company granted restricted stock units (RSUs) to employees pursuant to the incentive stock plan. The restricted share units generally cliff vest at the end of three years or vest on a graded basis over a three year period. The Company recognized $1.2 million in stock-based compensation expense during 2016 associated with these awards. As of December 25, 2016 , there was approximately $2.7 million of total unrecognized compensation cost related to the unvested RSUs, which is expected to be recognized over a weighted average period of approximately 1.7 years .

The following table summarizes the restricted share unit activity for the 52 week period ended December 25, 2016 :

(share awards in thousands)	Units	Weighted Average Grant Date Fair Value
Unvested restricted stock units:		
Granted	72	54.59
Cancelled	(1)	52.91
Outstanding end of year	71	54.62

Restricted Share Units - Board of Directors

The Company grants restricted stock units (RSUs) to members of its board of directors pursuant to the incentive stock plan. The Company recognized $0.9 million , $0.7 million , and $0.6 million in stock-based compensation expense associated with these awards during the 2016 , 2015 , and 2014 , respectively. As of December 25, 2016 , there was approximately $0.4 million of total unrecognized compensation cost related to unvested RSUs, which is expected to be recognized over a weighted average period of approximately 0.4 years.

The following table summarizes the restricted share unit activity for the 52 week period ended December 25, 2016 .

(share awards in thousands)	Units	Weighted Average Grant Date Fair Value
Unvested restricted stock units:		
Outstanding beginning of year	110	$ 21.97
Granted	18	52.13
Vested	(3)	56.92
Outstanding end of year	125	$ 25.30

The weighted average grant date fair value of restricted share units vested in 2015 and 2014 was $15.92 and $13.56 , respectively. The weighted average grant date fair value of restricted share units granted during 2015 and 2014 were $56.95 and $37.20 , respectively.

Note 14 — 401(k) Savings Plan

The Company maintains a qualified retirement plan ("Plan") under Section 401(k) of the Internal Revenue Code of 1986, as amended, for the benefit of employees meeting certain eligibility requirements as outlined in the Plan document. All Company employees are subject to the same contribution and vesting schedules. Under the Plan, non-highly compensated employees may contribute up to 75.0% of their eligible compensation to the Plan on a pre-tax basis up to statutory limitations. Highly compensated employees are limited to 5.0% of their eligible compensation. The Company may make both voluntary and matching contributions to the Plan. The Company expensed approximately $0.7 million , $0.6 million , and $0.4 million , during 2016 , 2015 , and 2014 , respectively, for its contributions to the Plan.

Note 15 — Commitments and Contingencies

Supply Contracts. Supplies are generally provided to Popeyes franchised and Company-operated restaurants pursuant to supply agreements negotiated by Supply Management Services, Inc. ("SMS"), a not-for-profit purchasing cooperative of which the Company is a member. The Company and its franchisees hold membership interests in SMS in proportion to the number of restaurants they own. At December 25, 2016 , the Company held two of seven board seats. The operations of SMS are not included in the Consolidated Financial Statements.

The principal raw material for a Popeyes restaurant operation is fresh chicken. Company-operated and franchised restaurants purchase their chicken from suppliers who service Popeyes and its franchisees from various plant locations. These costs are significantly impacted by increases in the cost of fresh chicken, which can result from a number of factors, including increases in the cost of grain, disease, declining market supply of fast-food sized chickens and other factors that affect availability.

In order to ensure favorable pricing for fresh chicken purchases and to maintain an adequate supply of fresh chicken for the Popeyes system, SMS has entered into chicken purchasing contracts with chicken suppliers. The contracts, which pertain to the vast majority of our system-wide purchases for Popeyes, are "cost-plus" contracts that utilize prices based upon the cost of feed grains plus certain agreed upon non-feed and processing costs. In order to stabilize pricing for the Popeyes system, SMS has entered into commodity pricing agreements for certain commodities, including corn and soy, which impact the price of poultry and other food cost.

The Company has entered into long-term beverage supply agreements with certain major beverage vendors. Pursuant to the terms of these arrangements, marketing rebates are provided to the Company and its franchisees from the beverage vendors based upon the dollar volume of purchases for Company-operated restaurants and franchised restaurants, respectively, which will vary according to their demand for beverage syrup and fluctuations in the market rates for beverage syrup.

Formula and Supply Agreements with Former Owner. In June 2014, the Company purchased the formulas (the "formulas")it uses in the preparation on many of its core menu items from Diversified Foods and Seasonings, L.L.C. ("Diversified") for $43.0 million . In connection with the formula purchase, the Company and Diversified terminated the existing royalty and supply agreement which gave the Company worldwide exclusive rights to the formulas and replaced it with a new supply agreement. The new supply agreement provides that the Company agrees to utilize, and to require its franchisees to utilize, Diversified as the exclusive supplier of certain agreed upon core products. The term of the new supply agreement continues until March 2034, unless earlier terminated in accordance with the terms of the agreement.

The old royalty and supply agreement required the Company to pay Diversified an annual royalty for the use of the formulas of approximately $3.1 million . The Company expensed $1.4 million in 2014 under the old agreement.

Business Process Services. Certain accounting and information technology services are provided to the Company under an agreement with a third party provider which expires April 30, 2018 . At December 25, 2016 , future minimum payments under this contract are approximately $1.4 million during 2017 and approximately $0.4 million in 2018. During 2016 , 2015 and 2014 , the Company expensed $1.4 million , $1.7 million , and $1.8 million , respectively, under this agreement.

Information Technology Outsourcing. Certain information technology services are provided to the Company under managed information technology services agreements with certain third party providers. At December 25, 2016 , future minimum payments under these contracts are $0.9 million during 2017. During 2016 , 2015 , and 2014 , the Company expensed $1.7 million , $1.7 million , and $1.6 million , respectively, under these agreements.

Litigation. The Company is a defendant in various legal proceedings arising in the ordinary course of business, including claims resulting from “slip and fall” accidents, employment-related claims, claims from guests or employees alleging illness, injury or other food quality, health or operational concerns and claims related to franchise matters. The Company has established adequate reserves to provide for the defense and settlement of such matters. The Company’s management believes their ultimate resolution will not have a material adverse effect on the Company’s financial condition or its results of operations.

Insurance Programs. The Company carries property, general liability, business interruption, crime, directors and officers liability, privacy & network liability, employment practices liability, environmental and workers’ compensation insurance policies which it believes are customary for businesses of its size and type. Pursuant to the terms of their franchise agreements, the Company’s franchisees are also required to maintain certain types and levels of insurance coverage, including commercial general liability insurance, workers’ compensation insurance, all risk property and automobile insurance.

The Company has established reserves with respect to the programs described above based on the estimated total losses the Company will experience. At December 25, 2016 , the Company’s insurance reserves of approximately $0.1 million were collateralized by letters of credit and cash deposits of $0.1 million .

Environmental Matters. The Company is subject to various federal, state and local laws regulating the discharge of pollutants into the environment. The Company believes that it conducts its operations in substantial compliance with applicable environmental laws and regulations. Certain of the Company’s current and formerly owned and/or leased properties are known or suspected to have been used by prior owners or operators as retail gas stations, and a few of these properties may have been used for other environmentally sensitive purposes. Certain of these properties previously contained underground storage tanks (“USTs”), and some of these properties may currently contain abandoned USTs. It is possible that petroleum products and other contaminants may have been released at these properties into the soil or groundwater. Under applicable federal and state environmental laws, the Company, as the current or former owner or operator of these sites, may be jointly and severally liable for the costs of investigation and remediation of any such contamination, as well as any other environmental conditions at its properties that are unrelated to USTs. The Company has obtained insurance coverage that it believes is reasonable to manage any potential risks related to environmental remediation liabilities.

Foreign Operations. The Company’s international operations are limited to franchising activities. During 2016 , 2015 , and 2014 , such operations represented approximately 10.9% , 10.6% , and 11.5% , of total franchise revenues, respectively; and approximately 6.3% , 5.9% , and 6.4% , of total revenues, respectively. At December 25, 2016 , approximately $1.5 million of the Company’s accounts receivable were related to its international franchise operations.

Significant Franchisee. During 2016 , two domestic franchisees accounted for approximately 12.5% of the Company's royalty revenues. During 2015 , and 2014 , one domestic franchisee accounted for approximately 6.5% , and 7.2% , respectively of the Company’s royalty revenues.

Geographic Concentrations. Of the Company’s domestic Company-operated and franchised restaurants, the majority are located in the southern, southwestern and the Atlantic Coast of the United States. The Company’s international franchisees operate in South Korea, Canada, Turkey and various countries throughout Central America, the Middle East, Asia-Pacific and Europe.

Note 16 — Other Expenses (Income), Net

(in millions)	2016	2015	2014
Net (gain) loss on sale and disposal of assets	$ 0.4	$ (0.1)	$ (0.8)
Asset impairments	3.7	—	—
Executive transition expenses	—	0.5	2.0
Recoveries under Settlement Program	—	(0.4)	—
Total	$ 4.1	$ —	$ 1.2

During the fourth quarter 2016, the Company leased the 17 Company-operated restaurants in Indianapolis, Indiana to franchisees who will operate the restaurants under franchise agreements. Typical with many of our franchise restaurant leases, the leases are triple net to the franchisee, requiring the franchisee to pay minimum rent and percentage rents based on sales in excess of a specified amount, plus real estate taxes, maintenance costs and insurance premiums. The leases are cross-defaulted with the corresponding franchise agreements for the restaurants. The Company recorded a $0.1 million loss on the refranchising of the restaurants.

During the third quarter 2016, the Company recorded $3.7 million in asset impairments, which included $2.6 million in Company-operated restaurants and $1.1 million in restaurants leased to franchisees. See Note 5 for further discussion.

During the second quarter 2015, the Company received $0.4 million in settlement of its outstanding claims filed pursuant to the Deepwater Horizon Economic and Property Damages Settlement Program ("Settlement Program").

During 2015 and 2014, the Company incurred $0.5 million and $2.0 million in other expenses related to executive transition expenses, respectively.

During 2014, the net gain on sale of assets includes the sale of four properties to franchisees for a gain of $0.8 million .

Note 17 — Interest Expense, Net

(in millions)	2016	2015	2014
Interest on debt	$ 3.1	$ 2.0	$ 1.6
Reclassification adjustment for derivative losses	0.6	1.0	0.8
Amortization and write-offs of debt issuance costs	0.4	0.2	0.2
Other debt related charges, net	0.5	0.5	0.4
Total	$ 4.6	$ 3.7	$ 3.0

Interest expense, net was $4.6 million in 2016 , a $0.9 million increase from 2015 . This increase was primarily due to a higher outstanding debt balance under the 2016 Revolving Credit Facility during 2016 partially offset by a decrease in reclassification adjustments for derivative losses during 2016.

Note 18 — Income Taxes

Total income taxes for fiscal years 2016 , 2015 , and 2014 , were allocated as follows:

(in millions)	2016	2015	2014
Income taxes in the statements of operations, net	$ 27.1	$ 26.5	$ 23.8
Income taxes charged (credited) to statements of shareholders' equity:			
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(1.0)	(7.6)	(2.6)
Other comprehensive income	0.1	(0.1)	0.3
Total	$ 26.2	$ 18.8	$ 21.5

Total U.S. and foreign income before income taxes for fiscal years 2016 , 2015 , and 2014 , were as follows:

(in millions)	2016	2015	2014
United States	$ 61.3	$ 63.7	$ 54.7
Foreign	8.6	6.9	7.1
Total	$ 69.9	$ 70.6	$ 61.8

The components of income tax expense were as follows:

(in millions)	2016	2015	2014
Current income tax expense:			
Federal	$ 23.8	$ 18.1	$ 17.4
Foreign	2.2	1.9	1.6
State	3.4	2.3	2.4
	29.4	22.3	21.4
Deferred income tax expense:			
Federal	(2.4)	3.9	1.7
State	0.1	0.3	0.7
	(2.3)	4.2	2.4
Total	$ 27.1	$ 26.5	$ 23.8

In 2016, the Company recorded a $0.5 million adjustment to correct an error related to a valuation allowance on a deferred tax asset associated with a non-operating property held for sale dating back to 2005. The adjustment is included as a component of state deferred income tax expense. The impact of the adjustment was to increase income tax expense and increase deferred tax asset valuation allowance by $0.5 million . The Company does not believe the error was material to its financial statements for the year ended December 25, 2016 or for any prior period.

In 2014, the Company recorded a $0.5 million adjustment to correct an error related to the measurement of its deferred tax liability associated with its indefinite lived intangible assets in prior periods dating back to 2006. The adjustment is included as a component of state deferred income tax expense. The impact of the adjustment was to increase income tax expense and increase long-term deferred tax liabilities by $0.5 million .

Applicable foreign withholding taxes are generally deducted from royalties and certain other revenues collected from international franchisees. Foreign taxes withheld are generally eligible for credit against the Company's U.S. income tax liabilities.

Reconciliations of the Federal statutory income tax rate to the Company's effective tax rate are presented below:

	2016	2015	2014
Federal income tax rate	35.0 %	35.0 %	35.0 %
State taxes, net of federal benefit	2.8 %	2.9 %	2.3 %
Valuation allowance	1.0 %	(0.1)%	1.3 %
Provision to return adjustments	(0.1)%	0.1 %	0.4 %
Adjustments to estimated tax reserves	— %	— %	(0.1)%
Other items, net	0.1 %	(0.4)%	(0.4)%
Effective income tax rate	38.8 %	37.5 %	38.5 %

Provision to return adjustments include the effects of the reconciliation of income tax amounts recorded in our Consolidated Statements of Operations to amounts reflected on our tax returns.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

(in millions)	2016	2015
Deferred tax assets:		
Deferred franchise fee revenue	$ 1.8	$ 1.2
State net operating loss carry forwards	8.0	7.8
Deferred rentals	4.2	4.2
Deferred compensation	6.0	4.3
Allowance for doubtful accounts	0.1	0.1
Other accruals	0.5	0.7
Reorganization costs	2.4	2.4
Total gross deferred tax assets	23.0	20.7
Deferred tax liabilities:		
Franchise value and trademarks	(23.2)	(21.8)
Property and equipment	(8.5)	(10.4)
Prepaid expenses and other current assets	(1.0)	(1.2)
Total gross deferred liabilities	(32.7)	(33.4)
Valuation allowance	(8.7)	(7.8)
Net deferred tax liability	$ (18.4)	$ (20.5)

The Company assesses quarterly the likelihood that the deferred tax assets will be recovered. To make this assessment, historical levels of income, expectations and risks associated with estimates of future taxable income are considered. If recovery is not likely, the Company increases its valuation allowance for the deferred tax assets that it estimates will not be recovered.

At December 25, 2016 , the Company had state net operating losses ("NOLs") of approximately $153 million which expire between 2017 and 2035. The Company established a full valuation allowance on the deferred tax asset related to these NOLs as it is more likely than not that such tax benefit will not be realized. As such, the Company has established valuation allowances of approximately $8.0 million on state net operating loss carry forwards and $0.7 million on other deferred tax assets at December 25, 2016 and $7.8 million on state net operating loss carry forwards at December 27, 2015 .

The amount of unrecognized tax benefits were approximately $1.2 million as of December 25, 2016 of which approximately $0.1 million , if recognized, would impact the effective income tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits as of December 25, 2016 is as follows:

(in millions)	2016	2015	2014
Balance, beginning of year	$ 1.3	$ 1.3	$ 1.4
Additions related to current year	—	—	—
Reductions related to prior years	(0.1)	—	(0.1)
Reductions due to statute expiration	—	—	—
Balance, end of year	$ 1.2	$ 1.3	$ 1.3

The Company recognizes interest and penalties related to uncertain tax positions as a component of its income tax expense. Interest and penalties on uncertain tax positions for the fiscal years 2016 , 2015 , and 2014 were not significant. The Company had approximately $0.1 million of accrued interest and penalties related to uncertain tax positions as of December 25, 2016 and December 27, 2015 .

Unrecognized tax benefits and accrued interest and penalties are reported as a component of deferred credits and other long-term liabilities.

The Company files income tax returns in the United States and various state jurisdictions. The U.S. federal tax years 2011 through 2015 are open to audit. In general, the state tax years open to audit range from 2011 through 2015 .

Note 19 — Components of Earnings Per Share Computation

(in millions)	2016	2015	2014
Net income	$ 42.8	$ 44.1	$ 38.0
Denominator for basic earnings per share — weighted average shares	21.4	22.7	23.3
Dilutive employee stock options	0.2	0.4	0.5
Denominator for diluted earnings per share	21.6	23.1	23.8

The Company's basic earnings per share calculation is computed based on the weighted-average number of common shares outstanding. Diluted earnings per share calculation is computed based on the weighted-average number of common shares outstanding adjusted by the number of additional shares that would have been outstanding had the potentially dilutive common shares been issued. Potentially dilutive common shares include employee stock options, outstanding restricted stock awards and unvested restricted share units. Performance based awards are included in the average diluted shares outstanding each period if the performance criteria have been met at the end of the respective periods.

Potentially dilutive shares are excluded from the diluted earnings per share computation in periods in which they have an anti-dilutive effect. The weighted average number of shares subject to anti-dilutive options was 0.1 million in 2016 and 2015 and was not significant for the fiscal year 2014 .

Note 20 — Segment Information

The Company is engaged in developing, operating and franchising Popeyes Louisiana Kitchen quick-service restaurants. Based on its internal reporting and management structure, the Company has determined that it has two reportable segments: franchise operations and Company-operated restaurants. The Company-operated restaurant segment derives its revenues from the operation of company owned restaurants. The franchise segment consists of domestic and international franchising activities and derives its revenues principally from (1) ongoing royalty payments that are determined based on a percentage of franchisee sales; (2) franchise fees associated with new restaurant openings; (3) development fees associated with the opening of new franchised restaurants in a given market; and (4) rental income associated with properties leased or subleased to franchisees.

(in millions)	2016	2015	2014
Revenues			
Franchise operations	$ 160.6	$ 149.5	$ 138.4
Company-operated restaurants	108.3	109.5	97.2
	$ 268.9	$ 259.0	$ 235.6
Operating profit			
Franchise operations	$ 73.2	$ 67.6	$ 62.2
Company-operated restaurants	15.5	16.4	12.5
	88.7	84.0	74.7
Less unallocated expenses			
Depreciation and amortization	10.1	9.7	8.7
Other expenses (income), net	4.1	—	1.2
Operating profit	74.5	74.3	64.8
Interest expense, net	4.6	3.7	3.0
Income before income taxes	$ 69.9	$ 70.6	$ 61.8
Capital expenditures			
Franchise operations	$ 2.1	$ 1.1	$ 5.3
Company-operated restaurants	8.3	11.7	22.5
	$ 10.4	$ 12.8	$ 27.8
Goodwill — year end			
Franchise operations	$ 8.9	$ 8.9	$ 8.9
Company-operated restaurants	2.1	2.2	2.2
	$ 11.0	$ 11.1	$ 11.1
Total assets — year end			
Franchise operations	$ 215.1	$ 198.1	$ 195.7
Company-operated restaurants	47.1	68.6	64.6
	$ 262.2	$ 266.7	$ 260.3

Note 21— Quarterly Financial Data (Unaudited)

(in millions, except per share data)	2016			
Results of Operations	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	$ 82.2	$ 61.7	$ 64.0	$ 61.0
Operating profit	22.1	17.5	17.7	17.2
Net income	12.9	10.3	10.4	9.2
Basic earnings per common share	0.58	0.48	0.50	0.45
Diluted earnings per common share	0.58	0.47	0.49	0.44

(in millions, except per share data)	2015			
Results of Operations	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	$ 79.5	$ 59.4	$ 61.1	$ 59.0
Operating profit	23.1	17.5	17.9	15.8
Net income	13.6	10.3	10.6	9.6
Basic earnings per common share	0.59	0.45	0.47	0.43
Diluted earnings per common share	0.58	0.44	0.46	0.42

(a) The Company's first quarters for 2016 and 2015 contained sixteen weeks. The remaining quarters of 2016 and 2015 were twelve weeks.
(b) The Company opened no Company-operated restaurants during the fourth quarter 2016 compared to two during the same period last year. Total sales of the two Company-operated restaurants were $0.6 million for the fourth quarter 2015 .
(c) The Company refranchised 17 Company-operated restaurants during the fourth quarter 2016 . The impact of this transaction was $2.2 million decrease in sales compared to 2015 .
(d) In the fourth quarter 2016, the Company recorded a $0.5 million out of period adjustment related to deferred tax expense. see Note 18 for further discussion.

Note 22— Subsequent Event

First Amendment to the 2016 Revolving Credit Facility. On February 15, 2017, the Company increased the aggregate revolving loan commitments under the credit facility to $400 million . With the $150 million expansion, availability for short-term borrowing and letters of credit under the amended and restated credit facility is $244.4 million . There were no changes to any other key terms of the credit facility.

Merger Agreement with RBI. On February 21, 2017, the Company entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with Restaurant Brands International Inc. ("RBI"). Under the terms of the Merger Agreement, an affiliate of RBI will commence a cash tender offer (the "Offer") to purchase all of the outstanding shares of our common stock for $79.00 per share in cash. Following the completion of the Offer, the Company will cease to be a publicly traded company. The completion of the acquisition, which we expect will occur in early April 2017, is subject to customary conditions.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-137087, effective September 1, 2006, and No. 333-204613, effective June 1, 2015) of Popeyes Louisiana Kitchen, Inc. of our report dated February 22, 2017 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Atlanta, Georgia

March 1, 2017

EXHIBIT 31.1

CERTIFICATIONS

I, Cheryl A. Bachelder, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Popeyes Louisiana Kitchen, 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.

/s/ CHERYL A. BACHELDER

Cheryl A. Bachelder

Chief Executive Officer

(*Principal Executive Officer*)

Date: March 1, 2017

EXHIBIT 31.2

CERTIFICATIONS

I, William P. Matt, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Popeyes Louisiana Kitchen, 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.

/s/ WILLIAM P. MATT

William P. Matt
Chief Financial Officer
(Principal Financial Officer)

Date: March 1, 2017

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Annual Report on Form 10-K/A of Popeyes Louisiana Kitchen, Inc. (the “Corporation”) for the period ended December 25, 2016 , as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, the Chief Executive Officer of the Corporation, certifies that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ CHERYL A. BACHELDER

Cheryl A. Bachelder
Chief Executive Officer
(*Principal Executive Officer*)

Date: March 1, 2017

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Annual Report on Form 10-K/A of Popeyes Louisiana Kitchen, Inc. (the “Corporation”) for the period ended December 25, 2016 , as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, the Chief Financial Officer of the Corporation, certifies that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ WILLIAM P. MATT

William P. Matt
Chief Financial Officer
(Principal Financial Officer)

Date: March 1, 2017