POPEYES LOUISIANA KITCHEN, INC.

FORM 10-Q
(Quarterly Report)

Filed 11/12/14 for the Period Ending 10/05/14

Address	400 PERIMETER CENTER TERRACE, SUITE 1000 ATLANTA, GA 30346
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended October 5, 2014

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)	*(IRS Employer Identification No.)*
400 Perimeter Center Terrace, Suite 1000 Atlanta, Georgia	**30346**
(Address of principal executive offices)	*(Zip code)*

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

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

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

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

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

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

As of October 31, 2014 there were 23,335,001 shares of the registrant's common stock, par value $.01 per share, outstanding.

Popeyes Louisiana Kitchen, Inc.
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Part 1. FINANCIAL INFORMATION

Item 1. Financial Statements

Popeyes Louisiana Kitchen, Inc.

Condensed Consolidated Balance Sheets (unaudited)
(In millions, except share data)

	10/5/2014	12/29/2013
Current assets:		
Cash and cash equivalents	$ 10.2	$ 9.6
Accounts and current notes receivable, net	8.3	8.9
Other current assets	3.6	9.8
Advertising cooperative assets, restricted	31.5	27.8
Total current assets	53.6	56.1
Long-term assets:		
Property and equipment, net	88.3	77.6
Goodwill	11.1	11.1
Trademarks and other intangible assets, net	94.8	53.4
Other long-term assets, net	1.9	2.3
Total long-term assets	196.1	144.4
Total assets	$ 249.7	$ 200.5
Current liabilities:		
Accounts payable	$ 5.5	$ 8.5
Other current liabilities	8.6	8.1
Current debt maturities	0.3	0.3
Advertising cooperative liabilities	31.5	27.8
Total current liabilities	45.9	44.7
Long-term liabilities:		
Long-term debt	109.7	66.9
Deferred credits and other long-term liabilities	30.7	30.1
Total long-term liabilities	140.4	97.0
Commitments and contingencies		
Shareholders' equity:		
Preferred stock ($.01 par value; 2,500,000 shares authorized; 0 shares issued and outstanding)	—	—
Common stock ($.01 par value; 150,000,000 shares authorized; 23,249,120 and 23,784,041 shares issued and outstanding at October 5, 2014 and December 29, 2013, respectively)	0.2	0.2
Capital in excess of par value	52.9	77.9
Accumulated earnings (deficit)	10.5	(18.7)
Accumulated other comprehensive loss	(0.2)	(0.6)
Total shareholders' equity	63.4	58.8
Total liabilities and shareholders' equity	$ 249.7	$ 200.5

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

Popeyes Louisiana Kitchen, Inc.

Condensed Consolidated Statements of Operations (unaudited)
(In millions, except per share data)

	12 Weeks Ended		40 Weeks Ended	
	10/5/2014	10/6/2013	10/5/2014	10/6/2013
Revenues:				
Sales by company-operated restaurants	$ 22.5	$ 18.6	$ 74.2	$ 60.0
Franchise royalties and fees	30.9	29.2	99.7	93.5
Rent from franchised restaurants	1.5	1.5	4.8	4.1
Total revenues	54.9	49.3	178.7	157.6
Expenses:				
Restaurant food, beverages and packaging	7.5	6.3	24.4	20.0
Restaurant employee, occupancy and other expenses	10.6	9.0	35.2	28.8
General and administrative expenses	17.1	16.2	58.9	55.0
Occupancy expenses - franchise restaurants	0.7	0.7	2.3	2.6
Depreciation and amortization	2.1	1.6	6.7	4.9
Other expenses (income), net	0.2	0.1	1.7	0.2
Total expenses	38.2	33.9	129.2	111.5
Operating profit	16.7	15.4	49.5	46.1
Interest expense, net	0.8	0.8	2.4	2.8
Income before income taxes	15.9	14.6	47.1	43.3
Income tax expense	6.1	5.6	17.9	16.2
Net income	$ 9.8	$ 9.0	$ 29.2	$ 27.1
Earnings per common share, basic:	$ 0.42	$ 0.38	$ 1.25	$ 1.15
Earnings per common share, diluted:	$ 0.42	$ 0.37	$ 1.23	$ 1.12
Weighted-average shares outstanding:				
Basic	23.2	23.6	23.4	23.6
Diluted	23.5	24.1	23.8	24.1

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

Popeyes Louisiana Kitchen, Inc.

Condensed Consolidated Statements of Comprehensive Income (unaudited)
(In millions)

	12 Weeks Ended		40 Weeks Ended	
	10/5/2014	10/6/2013	10/5/2014	10/6/2013
Net income	$ 9.8	$ 9.0	$ 29.2	$ 27.1
Other comprehensive income				
Net change in fair value of cash flow hedge	—	0.1	—	0.4
Reclassification adjustments for derivative losses included in earnings	0.2	—	0.6	—
Other comprehensive income, before income taxes	0.2	0.1	0.6	0.4
Income tax on other comprehensive income	(0.1)	(0.1)	(0.2)	(0.2)
Other comprehensive income, net of income taxes	0.1	—	0.4	0.2
Comprehensive income	$ 9.9	$ 9.0	$ 29.6	$ 27.3

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

Popeyes Louisiana Kitchen, Inc.

Condensed Consolidated Statement of Changes in Shareholders' Equity (unaudited)
(In millions, except share data)

	Common Stock					
	Number of Shares	Amount	Capital in Excess of Par	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive (Loss)	Total
Balance at December 29, 2013	23,784,041	$ 0.2	$ 77.9	$ (18.7)	$ (0.6)	$ 58.8
Net income	—	—	—	29.2	—	29.2
Other comprehensive income, net of income tax	—	—	—	—	0.4	0.4
Repurchases and retirement of shares	(709,700)	—	(30.0)	—	—	(30.0)
Issuance of common stock under stock option plan	116,396	—	1.5	—	—	1.5
Issuance of restricted stock awards, net of forfeitures	58,383	—	(1.8)	—	—	(1.8)
Excess tax benefits from stock-based compensation	—		1.7	—	—	1.7
Stock-based compensation expense	—	—	3.6	—	—	3.6
Balance at October 5, 2014	23,249,120	$ 0.2	$ 52.9	$ 10.5	$ (0.2)	$ 63.4

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

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Popeyes Louisiana Kitchen, Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)
(In millions)

	40 Weeks Ended	
	10/5/2014	**10/6/2013**
Cash flows provided by (used in) operating activities:		
Net income	$ 29.2	$ 27.1
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	6.7	4.9
Asset write-downs	0.2	0.3
Net gain on sale of assets	(0.1)	(0.1)
Deferred income taxes	(0.1)	1.1
Non-cash interest expense, net	0.9	0.3
Excess tax benefits from stock-based payment arrangements	(1.7)	(2.4)
Stock-based compensation expense	3.6	4.1
Change in operating assets and liabilities:		
Accounts receivable	0.7	(0.6)
Other operating assets	7.9	2.6
Accounts payable and other operating liabilities	(1.3)	(0.8)
Net cash provided by operating activities	46.0	36.5
Cash flows used in investing activities:		
Capital expenditures	(19.4)	(24.5)
Purchase of recipes and formulas	(41.8)	—
Proceeds from dispositions of property and equipment	—	0.6
Net cash used in investing activities	(61.2)	(23.9)
Cash flows provided by (used in) financing activities:		
Principal payments — 2010 credit facility (term loan)	—	(5.8)
Borrowings under 2013 credit facility	43.0	—
Share repurchases	(30.0)	(14.9)
Proceeds from exercise of employee stock options	1.5	2.3
Excess tax benefits from stock-based payment arrangements	1.7	2.4
Other financing activities, net	(0.4)	(0.4)
Net cash provided by (used in) financing activities	15.8	(16.4)
Net increase (decrease) in cash and cash equivalents	0.6	(3.8)
Cash and cash equivalents at beginning of year	9.6	17.0
Cash and cash equivalents at end of quarter	$ 10.2	$ 13.2

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

Popeyes Louisiana Kitchen, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1 — Description of Business

Popeyes Louisiana Kitchen, Inc. (“PLKI” or the “Company”) develops, operates and franchises quick-service restaurants under the trade names Popeyes ® Chicken & Biscuits and Popeyes ® Louisiana Kitchen (collectively “Popeyes”) in 47 states, the District of Columbia, three territories, and 26 foreign countries.

Note 2 — Significant Accounting Policies

The Company’s significant accounting policies are presented in Note 2 to the Company’s consolidated financial statements for the fiscal year ended December 29, 2013 , which are contained in the Company’s 2013 Annual Report on Form 10-K (“ 2013 Form 10-K”). The significant accounting policies that are most critical and aid in fully understanding and evaluating the reported financial results include the following:

Basis of Presentation. The accompanying condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial information. Accordingly, certain information required by generally accepted accounting principles in the United States (“GAAP”) for complete financial statements is not included. The Consolidated Balance Sheet data as of December 29, 2013 that is presented herein was derived from the Company’s audited consolidated financial statements for the fiscal year then ended. The condensed consolidated financial statements as of October 5, 2014 , have not been audited by the Company’s independent registered public accountants, but in the opinion of management, they contain all normal recurring adjustments necessary for a fair statement of the Company’s financial condition and results of operations for the interim periods presented. Interim period operating results are not necessarily indicative of the results expected for the full fiscal year. The Company suggests that the accompanying financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the 2013 Form 10-K. Except as disclosed herein, there has been no material change in the information disclosed in the notes to our consolidated financial statements included in the 2013 Form 10-K.

Use of Estimates . The preparation of condensed consolidated financial statements in conformity with 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 as of the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accumulated Other Comprehensive Income (Loss). Comprehensive income is net income plus the change in fair value of the Company’s cash flow hedge plus derivative losses realized in earnings during the period. Amounts included in accumulated other comprehensive income (loss) for the Company’s derivative instruments are recorded net of the related income tax effects.

As of October 5, 2014 , accumulated other comprehensive loss consisted of net unrealized losses on interest rate swap agreements settled in cash. Unrealized derivative gains or losses on terminated swap agreements are amortized as interest expense over the remaining term of the original swap agreement. The Company expects approximately $ 0.3 million of net pre-tax derivative losses included in accumulated other comprehensive income at October 5, 2014 will be reclassified into earnings within the next six months.

Reclassifications. The Company has certain non-cash operating and investing activities related to accrued purchases of property and equipment. A revision was made to the condensed consolidated statement of cash flow for the forty week period ended October 6, 2013 which decreased operating cash flows related to the change in accounts payable and other operating liabilities $ 0.7 million and increased investing cash flows related to capital expenditures $ 0.7 million. The reclassification in the condensed consolidated statement of cash flows noted above represent errors that are not deemed material, individually or in the aggregate, to the prior period consolidated financial statements.

In the accompanying condensed consolidated financial statements and in these notes, "Rent from franchised restaurants" and "Occupancy expenses - franchise restaurants" on the condensed consolidated statements of operations were "Rent and other revenues" and "Rent and other occupancy expenses", respectively, in prior years.

Popeyes Louisiana Kitchen, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

Note 3 — Other Current Assets

(in millions)	10/5/2014	12/29/2013
Prepaid income taxes	$ 0.5	$ 5.2
Prepaid expenses and other current assets	3.1	4.6
	$ 3.6	$ 9.8

Note 4 — Trademarks and Other Intangible Assets, Net

(in millions)	10/5/2014	12/29/2013
Non-amortizable intangible assets:		
Trademarks	$ 50.0	$ 50.0
Recipes and formulas	41.8	—
Other	0.6	0.6
	92.4	50.6
Amortizable intangible assets:		
Re-acquired franchise rights	7.1	7.1
Accumulated amortization	(4.7)	(4.3)
	2.4	2.8
	$ 94.8	$ 53.4

In the second quarter, the Company purchased the recipes and formulas (the "formulas") it uses in the preparation of many of its core menu items from Diversified Foods and Seasonings, L.L.C. for $43.0 million . The Company recorded an intangible asset of $41.8 million , net of royalties due under a 2010 Royalty and Supply Agreement ("2010 Agreement") plus transaction costs.

The formulas were previously licensed to the Company pursuant to the terms of the 2010 Agreement. See Note 10 for further discussion on this commitment.

Note 5 — Other Current Liabilities

(In millions)	10/5/2014	12/29/2013
Accrued wages, bonuses and severances	$ 5.8	$ 6.0
Other	2.8	2.1
Other current liabilities	$ 8.6	$ 8.1

Note 6 — Fair Value Measurements

The following table reflects assets that are measured at fair value on a recurring basis as of October 5, 2014 and December 29, 2013 :

Popeyes Louisiana Kitchen, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(In millions)	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
October 5, 2014				
Financial Assets				
Cash equivalents	$ 9.3	$ —	$ —	$ 9.3
Restricted cash (advertising cooperative assets)	4.3	—	—	4.3
Total assets at fair value	$ 13.6	$ —	$ —	$ 13.6
December 29, 2013				
Financial Assets				
Cash equivalents	$ 10.6	$ —	$ —	$ 10.6
Restricted cash (advertising cooperative assets)	4.3	—	—	4.3
Total assets at fair value	$ 14.9	$ —	$ —	$ 14.9

There were no transfers among levels within the fair value hierarchy during the forty weeks ended October 5, 2014 .

At October 5, 2014 and December 29, 2013 , 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 $114.8 million and $72.2 million on October 5, 2014 and December 29, 2013 , respectively. The carrying value of our long-term debt, as discussed in Note 7, was $110.0 million and $67.2 million on October 5, 2014 and December 29, 2013 , 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.

Note 7 — Long-term Debt

(In millions)	10/5/2014	12/29/2013
2013 Credit Facility	$ 106.0	$ 63.0
Capital lease obligations	2.2	2.2
Other notes	1.8	2.0
	110.0	67.2
Less current portion	(0.3)	(0.3)
Long-term debt	$ 109.7	$ 66.9

2013 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 revolving credit facility. The Company drew $63.0 million under the revolving credit facility which was used to retire the Company's 2010 Credit Facility.

Under the terms of the 2013 Credit Facility, the Company can request additional revolving loan commitments of up to $125.0 million . During the second quarter 2014, the Company increased its revolving credit capacity by $10.0 million , to $135.0 million , and borrowed $43.0 million .

Under the terms of the 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 2013 Credit Facility. As of October 5, 2014 , the Company had $0.4 million of outstanding letters of credit. Availability for short-term borrowings and letters of credit under the revolving credit facility was $28.6 million .

Popeyes Louisiana Kitchen, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

As of October 5, 2014 , the Company was in compliance with the financial and other covenants of the 2013 Credit Facility. The Company's weighted average interest rate for all outstanding indebtedness under the 2013 Credit Facility was 1.7% as of October 5, 2014 .

Note 8 — Deferred Credits and Other Long-Term Liabilities

(In millions)	10/5/2014	12/29/2013
Deferred franchise revenues	$ 4.6	$ 3.5
Deferred gains on unit conversions	0.8	1.0
Deferred rentals	6.9	7.4
Above-market rent obligations	2.5	2.6
Deferred income taxes	13.8	13.6
Other	2.1	2.0
Deferred credits and other long-term liabilities	$ 30.7	$ 30.1

Note 9 — Other Expenses (Income), Net

	12 Weeks Ended		40 Weeks Ended	
(in millions)	10/5/2014	10/6/2013	10/5/2014	10/6/2013
Disposals of property and equipment	$ —	$ 0.1	$ 0.2	$ 0.3
Net gain on sale of assets	—	—	(0.1)	(0.1)
Executive transition expenses	0.2	—	1.6	—
Other expenses (income), net	$ 0.2	$ 0.1	$ 1.7	$ 0.2

In the forty week period ending October 5, 2014 , the Company incurred $1.6 million in other expenses related to executive transition expenses.

Note 10 — Commitments and Contingencies

Formula and Supply Agreements with Former Owner. Under a 2010 Royalty and Supply Agreement (the "2010 Agreement") with the estate of Alvin C. Copeland, the founder of Popeyes and the primary owner of Diversified Foods and Seasonings, Inc. ("Diversified"), the Company had the worldwide exclusive rights to the Popeyes recipes and formulas (the "formulas") the Company uses in the preparation on many of its core menu items. The 2010 Agreement required the Company to pay the estate of Mr. Copeland approximately $3.1 million annually until March 2029. Under the 2010 Agreement the Company also purchased certain proprietary spices and other products made exclusively by Diversified.

On June 16, 2014, the Company purchased the formulas from Diversified Foods and Seasonings, L.L.C., formerly Diversified Foods and Seasonings, Inc., for $43.0 million . In connection with the formula purchase, the Company and Diversified terminated the 2010 Agreement and replaced it with a new 2014 Supply Agreement (the "New Supply Agreement"). The term of the new supply agreement continues until March 2034, unless earlier terminated in accordance with the terms of the agreement. See Note 4 for additional detail.

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 establishes reserves to provide for the settlement of such matters when payment is probable and reasonably estimable. 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, 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.

Popeyes Louisiana Kitchen, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

The Company has established reserves with respect to the programs described above based on the estimated total losses the Company will experience. At October 5, 2014 , the Company's insurance reserves of approximately $0.2 million were collateralized by letters of credit of $0.4 million .

Note 11 — Interest Expense, Net

(In millions)	12 Weeks Ended 10/5/2014	12 Weeks Ended 10/6/2013	40 Weeks Ended 10/5/2014	40 Weeks Ended 10/6/2013
Interest on debt	$ 0.4	$ 0.6	$ 1.1	$ 2.1
Reclassification adjustment for derivative losses	0.2	—	0.6	—
Amortization and write-offs of debt issuance costs	0.1	0.1	0.3	0.3
Other debt related charges	0.2	0.2	0.5	0.5
Interest income	(0.1)	(0.1)	$ (0.1)	(0.1)
Interest expense, net	$ 0.8	$ 0.8	$ 2.4	$ 2.8

The decrease in interest expense on debt for the twelve and forty week periods ending October 5, 2014 compared to the prior year is primarily due to the lower effective interest rate under the 2013 Credit Facility.

Note 12 — Income Taxes

The Company's effective tax rates were 38.4% and 38.4% for the twelve week periods ended October 5, 2014 and October 6, 2013 , respectively. The Company's effective tax rates were 38.0% and 37.4% for the forty week periods ended October 5, 2014 and October 6, 2013 , respectively. Higher state income tax obligations and expiration of certain tax credits have resulted in a higher effective tax rate in 2014. The effective tax rates differ from statutory rates due to adjustments to estimated tax reserves, tax credits and permanent differences between reported income and taxable income for tax purposes.

As of October 5, 2014 and December 29, 2013 , the amount of unrecognized tax benefits were approximately $1.3 million and $1.4 million , respectively, of which approximately $0.3 million and $ 0.3 million , respectively, if recognized, would affect the effective income tax rate.

The Company files income tax returns in the United States and various state jurisdictions. The U.S. federal tax years 2011 through 2013 are open to audit. In general, the state tax years open to audit range from 2009 through 2013 .

Note 13 — Components of Earnings Per Common Share Computation

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, non-vested restricted stock awards and non-vested 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. There were approximately 0.1 million potentially dilutive shares excluded from the computation of diluted earnings per share for the twelve and forty week periods ended October 5, 2014 and October 6, 2013 .

Popeyes Louisiana Kitchen, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements (continued)

	12 Weeks Ended		40 Weeks Ended	
(In millions)	**10/5/2014**	**10/6/2013**	**10/5/2014**	**10/6/2013**
Numerator for earnings per share computation:				
Net Income	$ 9.8	$ 9.0	$ 29.2	$ 27.1
Denominator for basic earnings per share — weighted average shares	23.2	23.6	23.4	23.6
Dilutive employee stock awards	0.3	0.5	0.4	0.5
Denominator for diluted earnings per share	23.5	24.1	23.8	24.1

Note 14 — 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.

	12 Weeks Ended		40 Weeks Ended	
(In millions)	**10/5/2014**	**10/6/2013**	**10/5/2014**	**10/6/2013**
Revenues				
Franchise operations	$ 32.4	$ 30.7	$ 104.5	$ 97.6
Company-operated restaurants	22.5	18.6	74.2	60.0
	$ 54.9	$ 49.3	$ 178.7	$ 157.6
Operating profit				
Franchise operations	$ 16.3	$ 15.0	$ 47.7	$ 43.2
Company-operated restaurants	2.7	2.1	10.2	8.0
	19.0	17.1	57.9	51.2
Less unallocated expenses				
Depreciation and amortization	2.1	1.6	6.7	4.9
Other expenses (income), net	0.2	0.1	1.7	0.2
Operating Profit	16.7	15.4	49.5	46.1
Interest expense, net	0.8	0.8	2.4	2.8
Income before income taxes	$ 15.9	$ 14.6	$ 47.1	$ 43.3
Capital expenditures				
Franchise operations	$ 1.1	$ 3.9	$ 5.0	$ 10.7
Company-operated restaurants	5.4	5.0	14.4	13.8
	$ 6.5	$ 8.9	$ 19.4	$ 24.5

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis for Popeyes Louisiana Kitchen, Inc. (“PLKI”, "Popeyes" or the “Company”) should be read in conjunction with our condensed consolidated financial statements included in Part 1, Item 1 of this quarterly report and in conjunction with the Company’s Annual Report on Form10-K for the fiscal year ended December 29, 2013 (the “ 2013 Form 10-K”).

Popeyes Profile

Popeyes was founded in New Orleans, Louisiana in 1972 and is the world’s second largest quick-service chicken concept based on the number of units. Within the QSR industry, Popeyes distinguishes itself with a unique “Louisiana” style menu that features spicy chicken, chicken tenders, fried shrimp and other seafood, red beans and rice and other regional items. Popeyes is a highly differentiated QSR brand with a passion for its Louisiana heritage and flavorful authentic food.

As of October 5, 2014 , we operated and franchised 2,315 Popeyes restaurants in 47 states, the District of Columbia, three territories, and 26 foreign countries.

Total Operating Restaurants as of:	10/5/2014	12/29/2013
Domestic restaurants:		
Company-Operated	58	53
Franchised	1,772	1,716
International restaurants:		
Franchised	485	456
Total	2,315	2,225

Our Business Strategy

The Company’s Strategic Roadmap, launched in 2008, focuses exclusively on growing the value of our single brand, Popeyes Louisiana Kitchen. There are four organizing pillars to our strategy which we use to select priorities and allocate resources. These pillars are:

- Build a Distinctive Brand
- Create Memorable Experiences
- Grow Restaurant Profits
- Accelerate Quality Restaurant Openings

Within each pillar we develop strategies, determine goals and set performance metrics by which we measure our progress.

Our people are critical to this long-term strategy and include our franchisees, restaurant crews and corporate employees. As such, going forward we intend to invest in developing our talent: welcoming, inspiring, growing and celebrating our people. Our goal is to create a culture of servant leadership which is ultimately reflected in the positive experience of our employees and our guests. The measure of our success will be improved employee and guest engagement which we believe will yield improved sales and profits to the enterprise.

Third Quarter 2014 Overview

Our 2014 third quarter results and highlights include the following:

Earnings:

- Reported net income was $9.8 million , or $0.42 per diluted share.

- Adjusted earnings per diluted share were $0.42 , compared to $0.38 in 2013, representing an increase of 10.5% . Adjusted earnings per diluted share is a supplemental non-GAAP measure of performance. See the heading entitled “Management’s Use of Non-GAAP Financial Measures.”

Same-store Sales:

- Global same-store sales increased 7.3% in 2014, for a two-year growth rate of 12.4% .
    - Total domestic same-store sales increased 7.2% , compared to 5.1% last year.
    - International same-store sales increased 8.3% , compared to 5.1% last year.

- Popeyes domestic same-store sales have outpaced the chicken-QSR segment for 26 consecutive quarters and overall QSR for 12 consecutive quarters according to independent data.

- Popeyes market share of the domestic chicken-QSR segment reached 23.7% , compared to 21.2% in the prior year.

Openings:

- The Popeyes system opened 60 restaurants, which included 32 domestic and 28 international restaurants, compared to 39 total openings in the same period of the prior year.
    - Included in third quarter 2013 domestic openings were the conversion of seven restaurant properties acquired in 2012 in Minnesota and California.

- Net restaurant openings were 44 , compared to 33 net restaurant openings in the same period last year.

Other:

- Total system-wide sales increased by 12.6% .

- Total revenues increased approximately 11% to $54.9 million in 2014 from $49.3 million in the prior year.
    - Total revenues in third quarter 2013 included $1.6 million in one-time non-recurring franchise fees associated with the conversion and franchising of seven restaurant properties acquired in Minnesota and California in 2012.
    - An additional $1.4 million in one-time non-recurring franchise fees associated with the conversion and franchising of six of the acquired restaurant properties were also recognized in the fourth quarter of 2013.
    - The total amount of non-recurring fees recognized during fiscal 2013 related to the conversion and franchising of these acquired restaurant properties was approximately $5.5 million.

- Company-operated restaurant operating profit was $4.4 million , or 19.6% of sales, compared to $3.3 million , or 17.7% of sales in 2013. The restaurant operating profit of company restaurants through the end of the third quarter was $14.6 million , or 19.7% of sales, compared to $11.2 million , or 18.7% of sales last year.

- Through the end of the third quarter , Operating EBITDA was $57.9 million , or 32.4% of total revenue, compared to $51.2 million , or 32.5% of total revenue, last year, a 13% increase. Operating EBITDA is a supplemental non-GAAP measure of performance. See the heading entitled "Management's Use of Non-GAAP Financial Measures."

- Through the end of the third quarter , free cash flow was $35.9 million , compared to $33.3 million in 2013. Free cash flow is a supplemental non-GAAP measure of performance. See the heading entitled "Management's Use of Non-GAAP Financial Measures."

- The Company repurchased 247,741 shares of its common stock for approximately $10.0 million. Through the third quarter , the Company repurchased 709,700 shares for approximately $30.0 million .

- Through the end of the second quarter of 2014, average restaurant operating profit margins before rent of Popeyes domestic freestanding franchised restaurants was 22.9% , compared to 22.0% last year.

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A summary of our financial results and key operational metrics is presented below:

(Dollars in millions except per share data)	12 Weeks Ended 10/5/2014	12 Weeks Ended 10/6/2013	40 Weeks Ended 10/5/2014	40 Weeks Ended 10/6/2013
Revenues:				
Sales by company-operated restaurants	$ 22.5	$ 18.6	$ 74.2	$ 60.0
Franchise royalties and fees (a)	30.9	29.2	99.7	93.5
Rent from franchised restaurants	1.5	1.5	4.8	4.1
Total revenues	$ 54.9	$ 49.3	$ 178.7	$ 157.6
Operating profit	$ 16.7	$ 15.4	$ 49.5	$ 46.1
Net income	$ 9.8	$ 9.0	$ 29.2	$ 27.1
Earnings per common share, basic	$ 0.42	$ 0.38	$ 1.25	$ 1.15
Earnings per common share, diluted	$ 0.42	$ 0.37	$ 1.23	$ 1.12
Global system-wide sales increase	12.6%	12.4%	11.0%	11.3%
Same-store sales increase (b)				
Company-operated restaurants	8.5%	4.8%	5.3%	3.2%
Domestic franchised restaurants	7.1%	5.1%	5.0%	4.7%
Total domestic (company-operated and franchised restaurants)	7.2%	5.1%	5.0%	4.6%
International franchised restaurants	8.3%	5.1%	5.4%	4.9%
Total global system	7.3%	5.1%	5.1%	4.6%
Company-operated restaurants (all domestic)				
Restaurants at beginning of period	56	47	53	45
New restaurant openings	2	2	6	5
Permanent closings	—	—	(1)	(1)
Restaurants at quarter-end	58	49	58	49
Franchised restaurants (domestic and international)				
Restaurants at beginning of period	2,206	2,106	2,172	2,059
New restaurant openings	58	37	117	118
Permanent closings	(16)	(6)	(46)	(45)
Temporary (closings)/re-openings, net	9	1	14	6
Restaurants at quarter-end	2,257	2,138	2,257	2,138
Total system restaurants	2,315	2,187	2,315	2,187

(a) Franchise revenues are principally comprised of royalty payments from franchisees that are based upon franchisee sales. While franchisee sales are not recorded as revenue by the Company, we believe they are important in understanding the Company's financial performance and overall financial health, given the Company's strategic focus on growing its overall business through franchising. For the third quarter of 2014 and 2013 , franchisee sales, as reported by our franchisees, were approximately $624.0 million and $555.8 million , respectively. For the forty weeks ended October 5, 2014 and October 6, 2013 , franchisee sales, as reported by our franchisees, were approximately $2,008.5 million and $1,816.5 million .

(b) Same-store sales statistics exclude temporarily and permanently closed restaurants and stores that have been open for less than 65 weeks. Unit conversions are included immediately upon conversion. Temporary closings are excluded from same store sales for the period they are closed.

Looking Forward to the Remainder of 2014

Based on performance through the third quarter, the Company now expects the following for full year fiscal 2014:

- Same-store sales growth of 5.0% to 5.5%, an increase from previous guidance of 3.0% to 4.0%.
- General and administrative expenses of $78 to $79 million, at approximately 2.9% of system-wide sales, compared to previous guidance of approximately 3.0% of system-wide sales.
- Share repurchases of approximately $30 million, compared to previous guidance of $20 to $30 million.
- Adjusted earnings per diluted share in the range of $1.61 to $1.64, compared to previous guidance of $1.58 to $1.63.

In addition, the Company reiterates the following guidance for full year fiscal 2014:

- New restaurant openings of 180 to 200, with net restaurant openings of 100 to 130, for a system growth rate of approximately 5%. During 2014, the Company expects to open 10 to 15 new company-operated restaurants.
- An effective income tax rate of approximately 38%.
- Capital expenditures for the year of $30 to $35 million.

Comparisons of the Third Quarter for 2014 and 2013

Sales by Company-operated Restaurants

Sales by Company-operated restaurants were $22.5 million in the third quarter of 2014 , a $3.9 million increase from the third quarter of 2013 . The increase was primarily due to nine net openings over the last four consecutive quarters and a same–store sales increase of 8.5% in the third quarter of 2014.

Franchise Royalties and Fees

Franchise royalties and fees have three basic components: (1) royalties that are based on a percentage (typically 5%) of franchisee sales; (2) franchise fees associated with new unit openings and renewals; and (3) development fees associated with the agreement pursuant to which a franchisee may develop new restaurants in a given market. Royalties are the largest component of franchise revenues, generally constituting more than 90% of franchise revenues.

Franchise royalties and fees were $30.9 million in the third quarter of 2014 , a $1.7 million increase from the third quarter of 2013 . The increase was primarily due to a $3.0 million increase in royalty revenue from positive same-store sales and new franchised restaurants and a $0.3 million increase in renewal, transfer and other franchise revenues partially offset by $1.6 million one-time franchise fees associated with the conversion and franchising of seven restaurant properties in Minnesota and California recognized in third quarter 2013.

Company-operated Restaurant Operating Profit

Company-operated restaurant operating profit (“ROP”) was $4.4 million , or 19.6% of sales, compared to $3.3 million , or 17.7% of sales last year. The $1.1 million increase in ROP was primarily due to higher revenues resulting from net restaurant openings and positive same-store sales. The improvement in ROP margin was primarily attributable to lower food and commodity cost, improved labor controls, and increased leverage on occupancy and other expenses. Company-operated restaurant operating profit margin is a supplemental non-GAAP measure of performance. See the heading entitled “Management’s Use of Non-GAAP Financial Measures.”

General and Administrative Expenses

General and administrative expenses were $17.1 million , or 2.6% of system-wide sales, compared to $16.2 million , or 2.8% of system-wide sales last year.

The $0.9 million increase in general and administrative expenses was primarily attributable to a:

- $0.5 million increase in company-operated restaurant management expenses,
- $0.4 million increase in marketing and menu development expenses
- $0.3 million increase in domestic franchisee restaurant support services and assessments, and

- $0.4 million increase in other global support center expenses, net;

partially offset by $0.7 million in savings from the recipes and formulas purchased from Diversified Foods and Seasonings, L.L.C. For further discussion see Note 10 to our condensed consolidated financial statements at Part 1, Item 1 to this quarterly report. That note is hereby incorporated by reference into this Item 2.

Depreciation and amortization

Depreciation and amortization was $2.1 million compared to $1.6 million last year. The $0.5 million increase in depreciation and amortization is primarily attributable to depreciation associated with acquired restaurant properties converted and leased to franchisees in Minnesota and California and company-operated restaurant openings.

Other Expenses (Income), Net

Other expense for the twelve weeks ended October 5, 2014 was $0.2 million related to executive transition expenses.

Operating Profit

Operating profit was $16.7 million , a $1.3 million increase compared to 2013 . Fluctuations in the components of revenue and expense giving rise to this change are discussed above. The following is an analysis of the fluctuations in operating profit by business segment. Operating profit for each reportable segment includes operating results directly attributable to each segment.

	12 Weeks Ended			
(Dollars in millions)	**10/5/2014**	**10/6/2013**	**Fluctuation**	**As a Percent**
Franchise operations	$ 16.3	$ 15.0	$ 1.3	8.7%
Company-operated restaurants	2.7	2.1	0.6	28.6%
Operating profit before unallocated expenses	19.0	17.1	1.9	11.1%
Less unallocated expenses:				
Depreciation and amortization	2.1	1.6	0.5	31.3%
Other expenses (income), net	0.2	0.1	0.1	50.0%
Operating profit	$ 16.7	$ 15.4	$ 1.3	8.4%

Franchise operations segment operating profit was $16.3 million for the twelve weeks ended October 5, 2014 , a $1.3 million or 8.7% increase from 2013 . The $1.3 million growth in franchise operations was primarily due to the $1.7 million increase in franchise royalties and fees,partially offset by $0.4 million increases in general and administrative expenses related to marketing and menu development, domestic franchisee restaurant support services and assessments and other general and administrative expenses, net.

Company-operated restaurants segment operating profit was $2.7 million for the twelve weeks ended October 5, 2014 , a $0.6 million or 28.6% increase from 2013 . The increase was attributable to the $1.1 million increase in restaurant operating profit less a $0.5 million increase in company-operated restaurant management expenses.

Interest Expense, net

Interest expense, net for the twelve weeks ended both October 5, 2014 and October 6, 2013 was $0.8 million . Lower effective interest rates under the 2013 Credit Facility is offset by a higher outstanding debt and the reclassification adjustments for derivative losses on terminated interest rate swap agreements classified in accumulated other comprehensive loss.

Income Tax Expense

Income tax expense was $6.1 million at an effective tax rate of 38.4% , compared to an effective tax rate of 38.4% in 2013 . The effective tax rates differ from statutory rates due to adjustments to estimated tax reserves, tax credits and permanent differences between reported income and taxable income for tax purposes.

Comparisons of the 40 Weeks Ended October 5, 2014 and October 6, 2013

Sales by Company-operated Restaurants

Sales by Company-operated restaurants were $ 74.2 million in the forty weeks ended October 5, 2014 , a $14.2 million increase from 2013 . The increase was primarily due to nine net openings over the last four consecutive quarters an a same–store sales increase of 5.3% in 2014.

Franchise Royalties and Fees

Franchise royalties and fees were $ 99.7 million in the forty weeks ended October 5, 2014 , a $6.2 million increase from 2013 . The increase was primarily due to a $9.1 million increase in royalty revenue from positive same-store sales and new franchised restaurants and a $1.2 million increase in renewal, transfer and other franchise revenues partially offset by $4.1 million one-time franchise fees associated with the conversion and franchising of eighteen restaurant properties in Minnesota and California recognized in 2013.

Rent from Franchised Restaurants

Rent from franchised restaurants was $4.8 million for the forty weeks ended October 5, 2014 , compared to $4.1 million in 2013. The $0.7 million increase was primarily due to increased rents from twenty-six restaurant properties converted and leased to franchisees in Minnesota and California under percentage rent arrangements.

Company-operated Restaurant Operating Profit

Company-operated restaurant operating profit (“ROP”) was $14.6 million , or 19.7% of sales for the forty weeks ended October 5, 2014 , compared to $11.2 million , or 18.7% of sales last year. The $3.4 million increase in ROP was primarily due to higher revenues resulting from net restaurant openings and positive same-store sales. The improvement in ROP margin was primarily attributable to lower food and commodity cost, improved labor controls, and increase leverage on occupancy and other expenses. Company-operated restaurant operating profit margin is a supplemental non-GAAP measure of performance. See the heading entitled “Management’s Use of Non-GAAP Financial Measures.”

General and Administrative Expenses

General and administrative expenses were $58.9 million , or 2.8% of system-wide sales for the forty weeks ended October 5, 2014 , compared to $55.0 million , or 2.9% of system-wide sales last year.

The $3.9 million increase in general and administrative expenses was primarily attributable to a:

- $1.2 million increase in company-operated restaurant management expenses,
- $1.1 million increase in marketing and menu development expenses,
- $1.0 million increase in domestic franchisee restaurant support services and assessments,
- $0.5 million increase in domestic franchise restaurant development expenses, and
- $1.0 million increase in other global support center expenses, net;

partially offset by $0.9 million in savings from the recipes and formulas purchased from Diversified Foods and Seasonings, L.L.C.

Depreciation and amortization

Depreciation and amortization was $6.7 million compared to $4.9 million last year. The $1.8 million increase in depreciation and amortization is primarily attributable to depreciation associated with new company-operated restaurant openings and acquired restaurant properties converted and leased to franchisees in Minnesota and California.

Other Expenses (Income), Net

Other expense for the forty weeks ended October 5, 2014 was $1.7 million compared to $0.2 million last year. The $1.5 million increase is primarily related to executive transition expenses.

Operating Profit

Operating profit was $49.5 million , a $3.4 million increase compared to 2013 . Fluctuations in the components of revenue and expense giving rise to this change are discussed above. The following is an analysis of the fluctuations in operating profit by business segment. Operating profit for each reportable segment includes operating results directly attributable to each segment.

	40 Weeks Ended			
(Dollars in millions)	**10/5/2014**	**10/6/2013**	**Fluctuation**	**As a Percent**
Franchise operations	$ 47.7	$ 43.2	$ 4.5	10.4%
Company-operated restaurants	10.2	8.0	2.2	27.5%
Operating profit before unallocated expenses	57.9	51.2	6.7	13.1%
Less unallocated expenses:				
Depreciation and amortization	6.7	4.9	1.8	36.7%
Other expenses (income), net	1.7	0.2	1.5	—
Operating profit	$ 49.5	$ 46.1	$ 3.4	7.4%

Franchise operations segment operating profit was $47.7 million for the forty weeks ended October 5, 2014 , a $4.5 million or 10.4% increase from 2013. The increase in franchise operations was primarily due to the $6.2 million increase in franchise royalties and fees and $1.0 million increase in rents from franchised restaurants net of occupancy expenses partially offset by $2.7 million increases in general and administrative expenses related to marketing and menu development, domestic franchisee restaurant support services and assessments, domestic franchise restaurant development expenses and other general and administrative expenses, net.

Company-operated restaurants segment operating profit was $10.2 million for the forty weeks ended October 5, 2014 , a $2.2 million or 27.5% increase from 2013. The increase was attributable to the $3.4 million increase in restaurant operating profit partially offset by a $1.2 million increase in company-operated restaurant management expenses.

Interest Expense, net

Interest expense, net for the forty weeks ended October 5, 2014 was $2.4 million compared to $2.8 million in 2013. The $0.4 million decrease was primarily due to $1.0 million from lower effective interest rates under the 2013 Credit Facility partially offset by $0.6 million reclassification adjustments for derivative losses on terminated interest rate swap agreements classified in accumulated other comprehensive loss.

Income Tax Expense

Income tax expense was $17.9 million at an effective tax rate of 38.0% , compared to an effective tax rate of 37.4% in 2013 . Higher state income tax obligations and expiration of certain tax credits have resulted in a higher effective tax rate in 2014. The effective tax rates differ from statutory rates due to adjustments to estimated tax reserves, tax credits and permanent differences between reported income and taxable income for tax purposes.

Liquidity and Capital Resources

We finance our business activities with cash flows generated from our operating activities and borrowings under our credit facility.

Based primarily upon our generation of cash flow from operations, our existing cash reserves (approximately $10.2 million available as of October 5, 2014), available borrowings under our credit facility (approximately $28.6 million available as of October 5, 2014) and the ability to request incremental revolving credit commitments up to an additional $115 million under the credit facility, we believe that we will have adequate cash flow to meet our anticipated future requirements for working capital, including various contractual obligations and expected capital expenditures.

Our franchise model provides diverse and reliable cash flows. Net cash provided by operating activities of the Company was $46.0 million and $36.5 million for the forty weeks ended October 5, 2014 and October 6, 2013 , respectively. The $9.5 million increase in cash flows from operating activities was primarily due to a $3.4 million increase in net income after non-cash adjustments and a $6.1 million change in operating assets and liabilities primarily due to the timing of income tax payments.

Our cash flows from operating activities and available borrowings allow us to reinvest in our core business activities that promote the Company's strategic initiatives. Our priorities in the use of available cash after investment in growth strategies are the repurchase shares of our common stock and reduction of long-term debt.

Net cash used in investing activities was $61.2 million and $23.9 million for the forty weeks ended October 5, 2014 and October 6, 2013 , respectively. The table below summarizes our capital expenditures:

	40 Weeks Ended	
(dollars in millions)	10/5/2014	10/6/2013
Construction of new company-operated restaurants	$ 12.9	$ 11.8
Conversion of restaurants in Minnesota and California	2.9	9.9
Reimaging activities at company-operated restaurants	0.6	1.3
Information technology and corporate office expansion	2.0	0.8
Other capital assets	1.0	0.7
Total capital expenditures	$ 19.4	$ 24.5

On June 16, 2014, the Company purchased the recipes and formulas it uses in the preparation of many of its core menu items from Diversified Foods and Seasonings, L.L.C. for $43.0 million. The Company recorded an intangible asset of $41.8 million, net of royalties due under the former formula licensing agreement plus transaction costs.

Net cash provided by financing activities was $15.8 million for the forty weeks ended October 5, 2014 compared to net cash used by financing activities of $16.4 million for the forty weeks ended October 6, 2013 . The $32.2 million increase in cash provided by financing activities was primarily due to $48.8 million increase in net borrowing under revolving credit facilities partially offset by a $15.1 million increase of share repurchases and $1.5 million net cash used by all other financing activities, net.

The Company is in compliance with all debt covenant requirements.

We repurchased 709,700 shares of our common stock for approximately $30.0 million during the forty weeks ended October 5, 2014 . On August 28, 2014, the Board of Directors approved an additional $50.0 million for the share repurchase program. The remaining value of shares that may be repurchased under the Company's current share repurchase program is now approximately $51.5 million .

Critical Accounting Policies and Significant Estimates

There have been no material changes to the Company's critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in the 2013 Form 10-K.

Contractual Obligations

The Company's material contractual obligations are summarized and included in our 2013 Form 10-K.

In connection with the purchase of recipes and formulas from Diversified Foods and Seasonings. L.L.C. on June 16, 2014, the Company terminated the formula licensing agreement with the estate of Alvin C. Copeland, the founder of Popeyes and the primary owner of Diversified Foods and Seasonings, Inc. The formula licensing agreement provided that the Company pay the estate of Mr. Copeland approximately $3.1 million annually until March 2029.

Long-Term Debt

For a discussion of our long-term debt, see Note 7 to our condensed consolidated financial statements at Part 1, Item 1 to this quarterly report. That note is hereby incorporated by reference into this Item 2. See Note 9 in the 2013 Form 10-K for more information about the Company's long-term debt.

Impact of Inflation

The impact of inflation on the cost of food, labor, fuel and energy costs, and other commodities has impacted our operating expenses. To the extent permitted by the competitive environment in which we operate, increased costs are partially recovered through menu price increases coupled with purchasing prices and productivity improvements.

Accounting Pronouncements That We Have Not Yet Adopted

Accounting standards that have been issued by the FASB or other standards-setting bodies that do not require adoption until a future date are expected to have an immaterial impact on the financial statements upon adoption.

Management's Use of Non-GAAP Financial Measures

Adjusted earnings per diluted share, operating EBITDA, Company-operated restaurant operating profit and free cash flow are supplemental non-GAAP financial measures. The Company uses adjusted earnings per diluted share, operating EBITDA, Company-operated restaurant operating profit and free cash flow, in addition to net income, operating profit and cash flows from operating activities to assess its performance and believes it is important for investors to be able to evaluate the Company using the same measures used by management. The Company believes these measures are important indicators of its operational strength and the performance of its business. Adjusted earnings per diluted share, operating EBITDA, Company-operated restaurant operating profit and free cash flow as calculated by the Company are not necessarily comparable to similarly titled measures reported by other companies. In addition, adjusted earnings per diluted share, operating EBITDA, Company-operated restaurant operating profit and free cash flow: (a) do not represent net income, cash flows from operations or earnings per share as defined by GAAP; (b) are not necessarily indicative of cash available to fund cash flow needs; and (c) should not be considered as an alternative to net income, earnings per share, operating profit, cash flows from operating activities or other financial information determined under GAAP.

Adjusted earnings per diluted share: Calculation and Definition

The Company defines adjusted earnings for the periods presented as the Company's reported net income after adjusting for certain non-operating items consisting of the following:

i. other expense (income), net, which included $0.1 million, $0.1 million and $0.2 million in asset write downs net of gains on disposals of fixed assets for the twelve week period ended October 6, 2013, the forty week period ended October 5, 2014 and the forty week period ended October 6, 2013 respectively, and

ii. $0.2 million and $1.6 million in executive transition expenses in the twelve and forty week periods ended October 5, 2014, respectively, and

iii. the tax effect of these adjustments at the effective statutory rates.

Adjusted earnings per diluted share provides the per share effect of adjusted net income on a diluted basis. The following table reconciles on a historical basis for the twelve and forty week periods ended October 5, 2014 and October 6, 2013 , respectively, the Company's adjusted earnings per diluted share on a consolidated basis to the line on its condensed consolidated statement of operations entitled net income, which the Company believes is the most directly comparable GAAP measure.

	12 Weeks Ended		40 Weeks Ended	
(in millions, except per share data)	10/5/2014	10/6/2013	10/5/2014	10/6/2013
Net income	$ 9.8	$ 9.0	$ 29.2	$ 27.1
Other expense (income), net	0.2	0.1	1.7	0.2
Tax effect	(0.1)	—	(0.7)	(0.1)
Adjusted earnings	$ 9.9	$ 9.1	$ 30.2	$ 27.2
Adjusted earnings per diluted share	$ 0.42	$ 0.38	$ 1.27	$ 1.13
Weighted average diluted shares outstanding	23.5	24.1	23.8	24.1

Operating EBITDA: Calculation and Definition

The Company defines operating EBITDA as earnings before interest expense, taxes, depreciation and amortization, and other expenses (income), net. The following table reconciles on a historical basis for the forty week periods ended October 5, 2014 and October 6, 2013 , respectively, the Company's operating EBITDA on a consolidated basis to the line on its condensed consolidated statement of operations entitled net income, which the Company believes is the most directly comparable GAAP measure. Operating EBITDA margin is defined as operating EBITDA divided by total revenues.

	40 Weeks Ended	
(in millions)	10/5/2014	10/6/2013
Net income	$ 29.2	$ 27.1
Interest expense, net	2.4	2.8
Income tax expense	17.9	16.2
Depreciation and amortization	6.7	4.9
Other expenses (income), net	1.7	0.2
Operating EBITDA	$ 57.9	$ 51.2
Total revenues	$ 178.7	$ 157.6
Operating EBITDA margin	32.4%	32.5%

Company-operated restaurant operating profit: Calculation and Definition

The Company defines company-operated restaurant operating profit as sales by company-operated restaurants minus restaurant food, beverages and packaging minus restaurant employee, occupancy and other expenses. The following table reconciles on a historical basis for the twelve and forty week periods ended October 5, 2014 and October 6, 2013 , respectively, company-operated restaurant operating profit to the line item on its condensed consolidated statement of operations entitled sales by company-operated restaurants, which the Company believes is the most directly comparable GAAP measure. Company-operated restaurant operating profit margin is defined as company-operated restaurant operating profit divided by sales by company-operated restaurants.

	12 Weeks Ended		40 Weeks Ended	
(in millions)	10/5/2014	10/6/2013	10/5/2014	10/6/2013
Sales by company-operated restaurants	$ 22.5	$ 18.6	$ 74.2	$ 60.0
Restaurant food, beverages and packaging	7.5	6.3	24.4	20.0
Restaurant employee, occupancy and other expenses	10.6	9.0	35.2	28.8
Company-operated restaurant operating profit	$ 4.4	$ 3.3	$ 14.6	$ 11.2
Company-operated restaurant operating profit margin	19.6%	17.7%	19.7%	18.7%

Free cash flow: Calculation and Definition

The Company defines free cash flow as net income plus depreciation and amortization plus stock-based compensation expense, minus maintenance capital expenditures which includes: for the forty weeks ended October 5, 2014 , $0.6 million in company-operated restaurant reimaging, $2.0 million of information technology and other corporate assets, and $1.0 million in other capital assets to maintain, replace and extend the lives of company-operated restaurant facilities and equipment; and for the forty weeks ended October 6, 2013 , $1.3 million in company-operated restaurant reimaging, $0.8 million of information technology and other corporate assets, and $0.7 million in other capital assets to maintain, replace and extend the lives of company-operated restaurant facilities.

The following table reconciles on a historical basis for the forty week periods ended October 5, 2014 and October 6, 2013 , respectively, the Company's free cash flow on a consolidated basis to the line on its consolidated statements of operations entitled net income, which the Company believes is the most directly comparable GAAP measure.

	40 Weeks Ended			
(in millions)	10/5/2014		10/6/2013	
Net income	$	29.2	$	27.1
Depreciation and amortization		6.7		4.9
Stock-based compensation expense		3.6		4.1
Maintenance capital expenditures [(1)]		(3.6)		(2.8)
Free cash flow	$	35.9	$	33.3

(1) For the forty weeks ended October 6, 2013 , maintenance capital expenditures have been revised to conform with the current year presentation. Company-operated restaurant reimages expenditures decreased $0.1 million which increased free cash flow by $0.1 million .

Forward-Looking Statements

This quarterly report on Form 10-Q contains “forward-looking statements” within the meaning of the federal securities laws. Statements regarding future events and developments and our future performance, as well as management’s current expectations, beliefs, plans, estimates or projections relating to the future, are forward-looking statements within the meaning of these laws. These forward-looking statements are subject to a number of risks and uncertainties. Examples of such statements in this quarterly report on Form 10-Q include discussions regarding the Company’s planned implementation of its strategic plan, planned share repurchases, projections and expectations regarding same-store sales for fiscal 2014 and beyond, expectations regarding future growth and commodity costs, expectations regarding restaurant reimaging, guidance for new restaurant openings and closures, effective income tax rate, and the Company’s anticipated 2014 and long-term performance, including projections regarding general and administrative expenses, capital expenditures, and adjusted earnings per diluted share, and similar statements of belief or expectation regarding future events. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: competition from other restaurant concepts and food retailers, continued disruptions in the financial markets, the loss of franchisees and other business partners, labor shortages or increased labor costs, increased costs of our principal food products, changes in consumer preferences and demographic trends, as well as concerns about health or food quality, instances of avian flu or other food-borne illnesses, general economic conditions, the loss of senior management and the inability to attract and retain additional qualified management personnel, limitations on our business under our 2013 Credit Facility, our ability to comply with the repayment requirements, covenants, tests and restrictions contained in our 2013 Credit Facility, failure of our franchisees, a decline in the number of franchised units, a decline in our ability to franchise new units, slowed expansion into new markets, unexpected and adverse fluctuations in quarterly results, increased government regulation, effects of volatile gasoline prices, supply and delivery shortages or interruptions, currency, economic and political factors that affect our international operations, inadequate protection of our intellectual property and liabilities for environmental contamination and the other risk factors detailed in the Company’s 2013 Annual Report on Form 10-K and other documents we file with the Securities and Exchange Commission. Therefore, you should not place undue reliance on any forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Commodity Market Risk. We are exposed to market risk from changes in poultry and other commodity prices. Chicken is the principal raw material for our Popeyes operations, constituting approximately 40% of our combined “Restaurant food, beverages and packaging” costs. Food costs are significantly affected by increases in the cost of chicken, which can result from a number of factors, including increases in the cost of corn and soy, disease, declining market supply of fast-food sized chickens and other factors that affect availability. Restaurant food, beverages and packaging costs are further affected by increases in the cost of other commodities including shortening, wheat, gas and utility price fluctuations. Our ability to recover increased costs through higher pricing is limited by the competitive environment in which we operate.

In order to ensure favorable pricing for fresh chicken purchases and to maintain an adequate supply of fresh chicken for the Popeyes system, Supply Management Services, Inc. (a not-for-profit purchasing cooperative of which we are a member) has entered into chicken pricing contracts with chicken suppliers. The contracts, which pertain to a 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, Supply Management Services, Inc. has entered into commodity pricing agreements for 2014 for certain commodities including corn and soy, which impact the price of poultry and other food cost.

Instances of food-borne illness or avian flu could adversely affect the price and availability of poultry. In addition to losses associated with higher prices and a lower supply of our food ingredients, instances of food-borne illnesses could result in negative publicity for us and could result in a decline in our sales.

Foreign Currency Exchange Rate Risk. We are exposed to foreign currency exchange rate risk associated with our international franchise operations. Foreign currency exchange rate changes directly impact our revenues and cash flows from these operations. For the forty weeks ended October 5, 2014 and October 6, 2013 , foreign currency revenues represented approximately 4.5% and 4.4%, respectively, of our total revenues. All other things being equal, for the forty weeks ended October 5, 2014 , operating profit would have decreased by approximately $0.7 million if all foreign currencies uniformly weakened 10% relative to the U.S. dollar.

As of October 5, 2014 , approximately $1.2 million of our accounts receivable were denominated in foreign currencies. Our international franchised operations are in 26 foreign countries with approximately 48% of our revenues from international royalties originating from restaurants in Korea, Canada and Turkey.

Interest Rate Risk With Respect to our 2013 Credit Facility. We have a market risk exposure to changes in interest rates. Borrowings made pursuant to the 2013 Credit Facility include interest rates that are benchmarked to U.S. and European short-term floating-rate interest rates. As of October 5, 2014 , we had outstanding borrowings under our 2013 Credit Facility of $ 106.0 million .

As of October 5, 2014 , the Company’s weighted average interest rate for all outstanding indebtedness under the 2013 Credit Facility was approximately 1.7% . The impact on our annual results of operations of a hypothetical one-point interest rate change on the outstanding borrowings under the 2013 Credit Facility would be approximately $1.1 million .

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures of a registrant designed to ensure that information required to be disclosed by the registrant in the reports that it files or submits under the Securities Exchange Act of 1934 (the “Exchange Act”) are properly recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s (“SEC”) rules and forms. Disclosure controls and procedures include processes to accumulate and evaluate relevant information and communicate such information to a registrant’s management, including its principal executive and financial officers, as appropriate, to allow for timely decisions regarding required disclosures.

(b) CEO and CFO Certifications

Attached as Exhibit 31.1 and 31.2 to this quarterly report are certifications by our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). These certifications are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002. This portion of our quarterly report describes the results of our controls evaluation referred to in those certifications.

(c) Our Evaluation of Popeyes’s Disclosure Controls and Procedures

As of the end of the period covered by this report, we evaluated the effectiveness of the design and operation of Popeyes’s disclosure controls and procedures, as required by Rule 13a-15 of the Exchange Act. This evaluation was carried out under the supervision and with the participation of our management, including our CEO and CFO. Based on the evaluation as of the end of the period covered by this report, our CEO and CFO concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms.

(d) Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the forty week period ended October 5, 2014 covered by this report.

(e) Inherent Limitations of Any Control System

We do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. However, the control system has been designed to provide reasonable assurance of the control objectives are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected.

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PART 2. OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of our legal matters, see Note 10 to our condensed consolidated financial statements at Part 1, Item 1 to this quarterly report. That note is hereby incorporated by reference into this Part 2, Item 1.

Item 1A. Risk Factors

There have been no material changes to the risk factors presently disclosed in our 2013 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the third quarter of 2014 , we repurchased 247,741 of our common shares as scheduled below:

Period	Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of a Publicly Announced Plan	Maximum Value of Shares that May Yet Be Repurchased Under the Plan
Period 8 (7/14/14 — 8/10/14)	—	$ —	—	$ 11,555,074
Period 9 (8/11/14 — 9/7/14)	—	$ —	—	$ 61,555,074
Period 10 (9/8/14 — 10/05/14)	247,741	$ 40.39	247,741	$ 51,549,887
Total	247,741	$ 40.39	247,741	$ 51,549,887

All shares were purchased pursuant to the Company's share repurchase program previously announced on July 22, 2002. On August 28, 2014, the Company's Board of Directors approved an additional $50 million for the purchase of shares under the share repurchase program.

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Item 6. Exhibits

(a) Exhibits

Exhibit 3.1	Articles of Incorporation of Popeyes Louisiana Kitchen, Inc. (the "Company") (f/k/a AFC Enterprises, Inc.), as amended (incorporated by reference to Exhibit 3.1 of the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 14, 2002).
Exhibit 3.2	Articles of Amendment of Articles of Incorporation of the Company dated January 17, 2014 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed January 21, 2014).
Exhibit 3.3	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed April 16, 2008).
Exhibit 3.4	Amendment No. 2 to Amended and Restated Bylaws of the Company, dated January 17, 2014 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed January 21, 2014).
Exhibit 10.1	Employment Agreement, dated August 21, 2014, between the Company and William P. Matt.
Exhibit 10.2	Letter, dated August 21, 2014, from the Company to William P. Matt regarding relocation benefits.
Exhibit 10.3	Indemnification Agreement dated August 21, 2014, by and between the Company and William P. Matt.
Exhibit 11.1*	Statement Regarding Composition of Per Share Earnings.
Exhibit 31.1	Certification pursuant to Rule 13a — 14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification pursuant to Rule 13a — 14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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.
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.
Exhibit 101	The following financial information for the Company, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statement of Changes in Shareholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) the Notes to the Unaudited Condensed Consolidated Financial Statements.

* Data required by FASB authoritative guidance for Earnings per Share, is provided in Note 13 to our condensed consolidated financial statements in Part 1, Item 1 to this quarterly report.

SIGNATURE

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

		Popeyes Louisiana Kitchen, Inc.
Date: November 12, 2014	By:	/s/ William Matt
		William Matt
		Chief Financial Officer
		(Duly Authorized Officer and Principal Financial Officer)

Exhibit 10.1

EMPLOYMENT AGREEMENT

Effective as of August 21, 2014 between
Popeyes Louisiana Kitchen, Inc. (the "Company") and
William P. Matt ("Employee")

WHEREAS, the Company desires to commence employment of Employee and to enter into an agreement embodying the terms of such employment; and

WHEREAS, Employee desires to accept such employment and to enter into such agreement;

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the parties agree as follows:

1. <u>Term of Agreement.</u>

This Agreement shall be effective as of the date hereof (the “Effective Date”) and, unless earlier terminated pursuant to Section 8 or Section 9 hereof, shall be for an initial term of one (1) year (the "Term"). The Term of this Agreement and Employee's employment hereunder will automatically be extended for an additional one−year period following the expiration of each year of employment hereunder (the "Renewal Date"), without further action by Employee or the Company. Such automatic one-year renewal shall continue from year to year unless and until either the Company or Employee gives to the other written notice not less than thirty (30) days prior to the applicable Renewal Date of its decision not to renew for an additional one year.

For purposes of this Section 1 only, the first “year” of the Term shall be deemed to begin as of the date hereof and end on December 27, 2015, and each one (1) year period thereafter shall coincide with the Company’s fiscal year.

2. <u>Employment.</u>

2.01 <u>Position.</u> Employee shall serve as Chief Financial Officer of the Company, and shall perform such duties consistent with his position as may be assigned to him from time to time by the Chief Executive Officer of the Company (the “CEO”) or the Board of Directors of the Company (the “Board”). Employee shall perform his duties hereunder at the Company’s corporate offices at 400 Perimeter Center Terrace, Suite 1000, Atlanta, Georgia, 30346, subject to such reasonable amount of travel as is necessary to render the services provided hereunder.

Employee’s Initials:

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2.02 Time and Efforts. Employee, so long as he is employed hereunder, shall devote his full business time and attention to the services required of him hereunder, except as otherwise agreed and for vacation time and reasonable periods of absence due to sickness or personal injury, and shall use his best efforts, judgment and energy to perform, improve and advance the business and interests of the Company in a manner consistent with the duties of his position. Anything herein to the contrary notwithstanding, nothing shall preclude Employee from (i) serving on the boards of directors of trade associations or charitable organizations; (ii) engaging in charitable activities and community affairs; (iii) serving on the board of directors of another company with the prior approval of the Company's board of directors; or (iv) managing his personal investments and affairs, provided that the activities described in the preceding clauses (i) through (iv) do not interfere with the proper performance of his duties and responsibilities hereunder.

3. Base Salary.

Beginning on the date hereof, the Company shall pay Employee, in equal installments no less frequently than monthly, a base salary at the rate of no less than Three Hundred Seventy Thousand Dollars ($370,000 U.S.) per annum (the "Base Salary"), less all applicable withholdings, during the term hereof. The Employee's Base Salary shall be reviewed by the People Services (Compensation) Committee of the Board on an annual basis.

4. Incentive Pay.

4.01 Sign-On Bonus . The Company shall pay Employee an initial sign-on bonus of $100,000, less all applicable withholdings, payable within 10 business days of the Effective Date. In the event Employee voluntarily terminates his employment with the Company (other than as a result of a Constructive Discharge, as defined below) or Employee's employment is terminated by the Company for Cause (as defined below) within twelve (12) months of the Effective Date, Employee shall be obligated to repay to the Company the full amount of $100,000 paid under this paragraph.

4.02 Annual Plan. The Compensation Committee, acting in its sole discretion, shall annually, at the beginning of each fiscal year of the Company, approve an annual incentive plan (the "Annual Incentive Plan") for Employee, which Plan shall contain such terms and provisions as the Compensation Committee shall determine. The Annual Incentive Plan shall set forth the specific financial and performance goals which must be achieved for Employee to be entitled to receive payment under such Annual Incentive Pay. Any amounts payable to Employee pursuant to the Annual Incentive Plan is hereinafter referred to as "Incentive Pay".

4.03 Target Incentive Pay. The target Incentive Pay ("Target Incentive Pay") for Employee for the 2014 fiscal year of the Company shall be Two Hundred Twenty Two Thousand Dollars (U.S. $222,000), payable on a pro rata basis in accordance with the terms of the Annual Incentive Plan. After 2014, the Target Incentive Pay for Employee will be set by the Compensation Committee for each fiscal year and will be included in the Annual Incentive Plan for such year.

Employee's Initials:

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4.04 Payment of Incentive Pay. If Employee is entitled to payment of any Incentive Pay for any fiscal year, an accounting will be furnished and payment will be made to Employee as set forth in the Annual Incentive Plan, but in no event later than two and one-half months following the end of each fiscal year.

4.05 Termination of Employment. If Employee's employment hereunder shall terminate other than pursuant to Sections 8.03 or 8.04, Employee shall receive, at the time contemplated by the Annual Incentive Plan, such Incentive Pay, if any, to which he would have been entitled under the terms of the Annual Incentive Plan had Employee remained in the employ of the Company for the entire fiscal year in which such termination occurs. If Employee's employment hereunder shall terminate pursuant to (a) Section 8.03, the provisions of Section 8.03 shall determine the amount of Incentive Pay payable to Employee; or (b) Section 8.04, no Incentive Pay shall be payable to Employee after such termination.

5. Equity Compensation.

5.01 Initial Restricted Stock Award . On the Effective Date, Employee shall be granted 5,000 shares of restricted stock of the Company. The restricted shares shall vest on the one-year anniversary of the grant date, subject to Employee’s continued employment with the Company through such date.

5.02 Eligibility for Future Equity Compensation . As part of the Employee’s compensation, Employee may be granted stock options, restricted stock or other forms of equity compensation in the future based upon Employee’s performance as determined in the sole discretion of the Compensation Committee.

6. Employee Benefits.

6.01 Life Insurance. During the Term and any renewal term of this Agreement Employee shall be entitled to term life insurance coverage paid by the Company with a death benefit in an amount equal to five (5) times Employee’s current Base Salary (the “Death Benefit”), payable solely from, and to the extent of, the Death Benefit proceeds payable under such life insurance policy.

6.02 Disability Insurance. During the Term, and any renewal term of this Agreement, Employee shall be entitled to disability insurance coverage in accordance with the terms and conditions of the Company’s disability program available to other senior officers.

6.03 Employee Medical Benefit. The Company, at its expense, shall provide Employee with an annual physical examination to be conducted by a physician or physicians as determined by Employee subject to the reasonable approval of the Company.

Employee’s Initials:

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6.04 Other Benefits. Employee shall be provided additional employee benefits, in addition to those identified in Section 6.01 – 6.03, including, without limitation, participation in the Company's 401(k) plan with immediate full vesting in the Company's matching contributions beginning with any matching contribution made for fiscal year 2014, health, accident and disability insurance under the Company's regular and ongoing plans, policies and programs available, from time to time, to senior officers of the Company, in accordance with the provisions of such plans, policies and programs governing eligibility and participation; provided, however, that such benefits may be modified, amended or rescinded by the Compensation Committee or the Board subject to applicable law and the terms of such plans.

6.05 Vacation. Employee shall be entitled to four (4) weeks paid vacation and three (3) days of paid personal business time each year during the Term hereof and any renewal hereof. Any vacation or personal business days not used in any year shall be subject to forfeiture or accrual pursuant to the Company's then-current vacation policy.

7. Business Expenses .

All reasonable and customary business expenses incurred by Employee in the performance of his duties hereunder shall be paid or reimbursed by the Company in accordance with the Company's policies in effect, from time to time. The amount of reasonable business expenses eligible for reimbursement in any taxable year of Employee shall not affect the amount of reasonable business expenses eligible for reimbursement in any other taxable year of Employee.

8. Termination of Employment.

8.01 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

The term "Cause" shall mean (i) Employee commits fraud or is convicted of a crime involving moral turpitude, (ii) Employee, in carrying out his duties hereunder, has been guilty of gross neglect or gross misconduct resulting in harm to the Company or any of its subsidiaries or affiliates, (iii) Employee shall have failed to materially comply with the policies of the Company or shall have refused to follow or comply with the duly promulgated directives of the CEO or the Board and such failure or refusal to comply continues for fifteen (15) days after notice by the Company, (iv) Employee has breached any of the provisions of Sections 10.02 through and including 10.04 or (v) Employee otherwise materially breaches a material term of this Agreement.

The term "Code" shall mean the Internal Revenue Code of 1986 as amended.

The term "Constructive Discharge" shall mean a Separation from Service by the Employee on account of a material diminution of or change in his responsibilities or duties; provided, however, that no Separation from Service by the Employee shall be considered a Constructive Discharge unless, within one hundred eighty (180) days of the initial existence of such diminution or change Employee has first provided written notice to the Company's Chairman of the Board of

Employee's Initials:

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the factual circumstances forming the basis for the claim of constructive discharge and of his intent to treat those circumstances as a Constructive Discharge under this Agreement, and has further provided the Company with a period of at least thirty (30) days in which to cure such alleged breach.

The term "Disability" shall mean the good faith determination by the CEO of the Company or the Board that Employee has failed to or has been unable to perform his duties as the result of any physical or mental disability for a period of ninety (90) consecutive days during any one period of Disability.

The term “Separation from Service” shall mean a “separation from service” with the Company within the meaning of § 409A of the Code and the related income tax regulations.

8.02 Termination upon Death or Disability. If Employee has a Separation from Service due to his death or Disability, the Company shall pay to the estate of the Employee or to the Employee, as the case may be, within fifteen (15) days following Employee's termination due to death or Disability, all amounts then payable to Employee pro-rated through the date of termination pursuant to Section 3, and the amount of any accrued but unused vacation under Section 6.05 for the year in which such termination occurs and any reimbursable amounts owed Employee under Section 7. Finally, the Company shall pay to Employee any Incentive Pay payable pursuant to Section 4.05 hereof. Such payment shall be made in a lump sum in cash at Employee’s Separation from Service.

8.03 Termination by the Company without Cause or Employee’s Resignation for a Constructive Discharge. The Company may terminate Employee’s employment under this Agreement without Cause at any time, upon written notice to Employee. If Employee has a Separation from Service as a result of a termination without Cause (other than a Separation of Service described in Section 8.02) or as a result of his resignation because he has experienced a Constructive Discharge or as a result of the Company’s decision not to renew the Term pursuant to Section 1, the Company shall pay or provide to Employee, in lieu of all other amounts payable hereunder or benefits to be provided hereunder the following: (a) a payment equal to the sum of (x) and (y) where (x) is one (1.0) times Employee's Base Salary at the time of termination, and (y) is one (1.0) times Employee’s Target Incentive Pay for the year in which such termination occurs (or, if no Target Incentive Pay has been designated for such year, then the Target Incentive Pay for the last year in which it was designated prior to such termination); and (b) the acceleration of any unvested equity rights of Employee, as follows: (i) outstanding stock options and other awards in the nature of rights that may be exercised shall become fully exercisable, (ii) time-based restrictions on restricted stock, restricted stock units and other equity awards shall lapse and the awards shall become vested, and (iii) awards with performance-based vesting conditions shall be governed by their original terms as set forth in any plan document and award agreement pursuant to which the awards were granted.

Additionally, if Employee elects to continue participation in any group medical, dental, vision and/or prescription drug plan benefits to which the Employee and/or the Employee’s eligible dependents would be entitled under Section 4980B of the Internal Revenue Code (COBRA), then for a period not to exceed twelve (12) months the Company

Employee’s Initials:

shall pay the excess of (i) the COBRA cost of such coverage over (ii) the amount that the Employee would have had to pay for such coverage if he had remained employed during such period and paid the active employee rate for such coverage, provided, however, that if the Employee becomes eligible to receive group health benefits under a program of a subsequent employer or otherwise (including coverage available to the Employee's spouse), the Company's obligation to pay any portion of the cost of health coverage as described herein shall cease, except as otherwise provided by law.

As a condition precedent to the requirement of Company to make such payments or grant such accelerated vesting, Employee shall not be in breach of his obligations under Section 10 hereof and Employee shall have executed, delivered and not revoked a general release in favor of the Company in substantially the same form as the general release then being used by the Company.

Any payment (other than the COBRA payments) required to be made under this Section 8.03 shall be made to Employee in a lump sum in cash within 60 days after the date of his Separation from Service.

8.04 Voluntary Termination by Employee or Termination for Cause. Employee may resign his employment hereunder at any time whatsoever, with or without cause, upon thirty (30) days prior written notice to the Company. The Company may terminate Employee's employment hereunder at any time without notice for Cause. In the event Employee has a Separation from Service as a result of his resignation (other than as a result of a Constructive Discharge) or as a result of a termination by the Company for Cause:

(a) The Company shall pay to Employee a lump sum in cash within fifteen (15) days following his Separation from Service all amounts then due under Sections 3, 4 (but only to the extent of earned but unpaid Incentive Pay), 6 and 7, prorated, through the date of termination for the year in which he is terminated; and

(b) The Company shall be under no obligation to make severance payments to Employee or continue any benefits being provided to Employee beyond the date of such termination other than benefits to which Employee may be entitled as a result of Federal or state law.

If Employee is terminated by the Company for Cause, Employee may within the ten (10) business day period immediately following such termination request in writing that the Chairman of the Board provide a written statement of the facts supporting his termination for Cause, and Employee during the ten (10) business day period immediately following the delivery of such statement may submit a written petition to the Chairman of the Board that his employment be reinstated with full pay retroactive to the date of his termination of employment. Any such petition shall set forth his reason or reasons why there was no Cause for his termination, and he may request that he be granted a meeting with the Board so he (or Employee and his attorney) can present such reason or reasons in person and answer any questions which any of the members of the Board want to ask Employee. The Board will promptly act on his petition, and the decision of the Board shall be final and binding on the Company and on Employee.

Employee's Initials:

9. Change in Control, Change in Responsibilities.

Upon the occurrence of both of the following events:

(a) The dissolution or liquidation of the Company, or a reorganization, merger or consolidation of the Company with one or more corporations as a result of which the owners of all of the outstanding shares of Stock immediately prior to such reorganization, merger or consolidation own in the aggregate, directly and indirectly, less than 50% of the outstanding shares of Stock of the Company or any other entity into which the Company shall be merged or consolidated immediately following the consummation thereof, or the sale, transfer or other disposition of all or substantially all of the assets or more than 50% of the then outstanding shares of Stock of the Company in a single transaction or series of related transactions (a "Change in Control"); and

(b) Within one (1) year of such Change in Control there is a termination of employment without Cause or (2) there is a material diminution of or change in Employee's responsibilities or duties, and Employee elects, in writing, within ninety (90) days following the occurrence of such diminution or change to resign effective thirty (30) days after the Company's receipt of such notice then, if Employee has a Separation from Service as a result of such termination or resignation, he shall be deemed to have been terminated by the Company other than for Cause and all amounts payable to Employee pursuant to Section 8.03 shall become payable in a lump sum in cash on his Separation from Service.

A Change in Control of the Company shall not be deemed to occur by reason of any public offering of the Stock of the Company.

Except as expressly contemplated by this Agreement, or in any other agreement referred to in Section 5 hereof, no merger, reorganization, recapitalization, sale of stock, sale of assets or other change in the capital structure of the Company or in the identity of the legal or beneficial owners of the Company shall affect the rights or obligations of the Company or Employee hereunder.

10. Confidentiality and Non-Competition.

10.01 Definitions . For purposes of this Section 10, the following terms shall have the following meanings:

"Affiliate" means any corporation, limited liability company, partnership or other entity of which the Company owns at least fifty percent (50%) of the outstanding equity and voting rights, directly or indirectly, through any other corporation, limited liability company, partnership or other entity.

"“Businesses” means the businesses engaged in by the Company directly or through its Affiliates immediately prior to termination of employment.

Employee's Initials:

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"Competitive Business" means the business of owning, operating, and/or franchising quick-service restaurants specializing in the sale of chicken.

"Confidential Information" means any and all data and information relating to the Company (including any Affiliates), its activities, business, or clients that (i) is disclosed to Employee or of which Employee becomes aware as a consequence of his employment with the Company; (ii) has value to the Company or any Affiliate; and (iii) is not generally known outside of the Company or any Affiliate. "Confidential Information" shall include, but is not limited to the following types of information regarding, related to, or concerning the Company or any Affiliate: trade secrets (as defined by O.C.G.A. § 10-1-761); financial plans and data; management planning information; business plans; operational methods; market studies; marketing plans or strategies; pricing information; product development techniques or plans; customer lists; customer files, data and financial information; details of customer contracts; current and anticipated customer requirements; identifying and other information pertaining to business referral sources; past, current and planned research and development; computer aided systems, software, strategies and programs; business acquisition plans; management organization and related information (including, without limitation, data and other information concerning the compensation and benefits paid to officers, directors, employees and management); personnel and compensation policies; new personnel acquisition plans; and other similar information. "Confidential Information" also includes combinations of information or materials which individually may be generally known outside of the Company or any Affiliate, but for which the nature, method, or procedure for combining such information or materials is not generally known outside of the Company or any Affiliate. In addition to data and information relating to the Company and its Affiliates, "Confidential Information" also includes any and all data and information relating to or concerning a third party that otherwise meets the definition set forth above, that was provided or made available to the Company or any Affiliate by such third party, and that the Company or such Affiliate has a duty or obligation to keep confidential. This definition shall not limit any definition of "confidential information" or any equivalent term under state or federal law. "Confidential Information" shall not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of the Company or any Affiliate.

"Prohibited Competitor" means (i) KFC Corporation, (ii) Church's Chicken, (iii) Bojangles', (iv) Zaxby's, (v) Chick-fil-A, (vi) Raising Cane's, (vii) any other company engaged in a Competitive Business, and (viii) any franchisee of a Prohibited Competitor.

"Restricted Period" means the period commencing as of the date hereof and ending on that date one year (1) year after the termination of Employee's employment with the Company for any reason, whether voluntary or involuntary.

"Restricted Territory" means the United States.

"Restrictive Covenants" means the obligations contained in Sections 10.02 through 10.06 of this Agreement.

Employee's Initials:

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10.02 Covenant Not-To-Disclose . The Company and Employee recognize that, during the course of Employee's employment with the Company, the Company has disclosed and will continue to disclose to Employee Confidential Information concerning the Company and the Affiliates, their products, their franchisees, their services and other matters concerning their Businesses, all of which constitute valuable assets of the Company and the Affiliates. The Company and Employee further acknowledge that the Company has, and will, invest considerable amounts of time, effort and corporate resources in developing such valuable assets and that disclosure by Employee of such assets to the public shall cause irreparable harm, damage and loss to the Company and the Affiliates. Accordingly, Employee acknowledges and agrees that, except as may be required by law:

(a) that the Confidential Information is and shall remain the exclusive property of the Company (or the applicable Affiliate);

(b) to use the Confidential Information exclusively for the purpose of fulfilling the obligations under this Agreement; and

(c) to hold the Confidential Information in confidence and not copy, publish or disclose to others or allow any other party to copy, publish or disclose to others in any form, any Confidential Information without the prior written approval of an authorized representative of the Company.

These obligations shall remain in effect for as long as the information or materials in question retain their status as Confidential Information.

The confidentiality, property, and proprietary rights protections available in this Agreement are in addition to, and not exclusive of, any and all other corporate rights, including those provided under copyright, corporate officer or director fiduciary duties, and trade secret and confidential information laws. Anything herein to the contrary notwithstanding, Employee shall not be restricted from disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; provided, however, that in the event such disclosure is required by law, Employee shall provide the Company with prompt notice of such requirement so that the Company may seek an appropriate protective order prior to any such required disclosure by Employee.

10.03 Covenant of Non-Disparagement and Cooperation . Employee agrees that he shall not at any time during or following the Term of this Agreement make any remarks disparaging the conduct or character of the Company or the Affiliates or any of the Company's or the Affiliates' current or former agents, employees, officers, directors, successors or assigns (collectively the "Related Parties"). In addition, Employee agrees to cooperate with the Related Parties, at no extra cost, in any litigation or administrative proceedings (e.g., EEOC charges) involving any matters with which Employee was involved during Employee's employment with the Company. The Company shall reimburse Employee for reasonable expenses incurred by Employee in providing such assistance.

Employee's Initials:

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10.04 Covenant Not to Compete . Employee agrees that, during the Restricted Period, he will not, without prior written consent of the Company, directly or indirectly (i) be employed or otherwise engaged by any Prohibited Competitor within the Restricted Territory in a management, executive, or consulting capacity, or (ii) own, manage, operate, join, control or participate in the ownership, management, operation or control, of any business, whether in corporate, proprietorship or partnership form or otherwise where such business is engaged in Competitive Business within the Restricted Territory. Employee acknowledges and agrees that the Company does business throughout the Restricted Territory, and that the Restricted Territory is therefore reasonable.

10.05 Covenant Not To Induce . Employee covenants and agrees that during the Restricted Period, he will not, directly or indirectly, on his own behalf or in the service or on behalf of others, hire, solicit, take away or attempt to hire, solicit or take away any person who is or was an employee of the Company or any Affiliate during the one (1) year preceding the conduct in question (if the conduct occurs while Employee is still employed by the Company) or the termination of Employee’s employment (if the conduct occurs after Employee’s termination), as applicable.

10.06 Return of Materials . Employee agrees that he will not retain or destroy (except as set forth below), and will immediately return to the Company on or prior to the termination of Employee’s employment hereunder for any reason, or at any other time the Company requests such return, any and all property of the Company that is in his possession or subject to his control, including, but not limited to, keys, credit and identification cards, personal items or equipment, customer files and information, papers, drawings, notes, manuals, specifications, designs, devices, code, email, documents, diskettes, CDs, tapes, keys, access cards, credit cards, identification cards, computers, mobile devices, other electronic media, all other files and documents relating to the Company and all Affiliates and their business (regardless of form, but specifically including all electronic files and data of the Company and all Affiliates), together with all Confidential Information belonging to the Company or any Affiliate or that Employee received from or through his employment with the Company. Employee will not make, distribute, or retain copies of any such information or property. To the extent that Employee has electronic files or information in his possession or control that belong to the Company or any Affiliate or contain Confidential Information (specifically including but not limited to electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), on or prior to Employee’s termination date, or at any other time the Company requests, Employee shall (a) provide the Company with an electronic copy of all of such files or information (in an electronic format that readily accessible by the Company); (b) after doing so, delete all such files and information, including all copies and derivatives thereof, from all non-Company-owned computers, mobile devices, electronic media, cloud storage, or other media, devices, or equipment, such that such files and information are permanently deleted and irretrievable; and (c) provide a written certification to the Company that the required deletions have been completed and specifying the files and information deleted and the media source from which they were deleted. Employee agrees that he will reimburse the Company for all of its costs, including reasonable attorneys’ fees, of recovering the above materials and otherwise enforcing compliance with this provision if he does not return the materials to the Company or take the required steps with respect to electronic information or files on or prior to his termination date or at any other time the materials and/or electronic file actions are requested by the Company or if Employee otherwise fails to comply with this provision.

Employee’s Initials:

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10.07 Remedies. The parties specifically acknowledge and agree that the remedy at law for any breach of the Restrictive Covenants will be inadequate, and that in the event Employee breaches, or threatens to breach, any of the Restrictive Covenants, the Company shall have the right and remedy, without the necessity of proving actual damage or posting any bond, to enjoin, preliminarily and permanently, Employee from violating or threatening to violate the Restrictive Covenants and to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. Employee understands and agrees that if he violates any of the obligations set forth in the Restrictive Covenants, the period of restriction applicable to each obligation violated shall cease to run during the pendency of any litigation over such violation, provided that such litigation was initiated during the period of restriction. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity. Employee understands and agrees that, if the Parties become involved in legal action regarding the enforcement of the Restrictive Covenants and if the Company prevails in such legal action, the Company will be entitled, in addition to any other remedy, to recover from Employee its reasonable costs and attorneys' fees incurred in enforcing such covenants.

10.08 Severability and Modification of Covenants. Employee acknowledges and agrees that each of the Restrictive Covenants is reasonable and valid in time and scope and in all other respects. The parties agree that it is their intention that the Restrictive Covenants be enforced in accordance with their terms to the maximum extent permitted by law. Each of the Restrictive Covenants shall be considered and construed as a separate and independent covenant. Should any part or provision of any of the Restrictive Covenants be held invalid, void, or unenforceable, such invalidity, voidness, or unenforceability shall not render invalid, void, or unenforceable any other part or provision of this Agreement or such Restrictive Covenant. If any of the provisions of the Restrictive Covenants should ever be held by a court of competent jurisdiction to exceed the scope permitted by the applicable law, such provision or provisions shall be automatically modified to such lesser scope as such court may deem just and proper for the reasonable protection of the Company's legitimate business interests and may be enforced by the Company to that extent in the manner described above and all other provisions of this Agreement shall be valid and enforceable.

10.09 Ownership of Property. Employee agrees and acknowledges that all works of authorship and inventions, including but not limited to products, goods, know-how, Trade Secrets and Confidential Information, and any revisions thereof, in any form and in whatever stage of creation or development, arising out of or resulting from, or in connection with, the services provided by Employee to the Company or any Affiliate under this Agreement are works made for hire and shall be the sole and exclusive property of the Company or such Affiliate. Employee agrees to execute such documents as the Company may reasonably request for the purpose of effectuating the rights of the Company or the Affiliate in any such property.

10.10 No Defense. The existence of any claim, demand, action or cause of action of the Employee against the Company shall not constitute a defense to the enforcement by the Company of any of the covenants or agreements in this Section 10.

Employee's Initials:

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11. Mandatory Reduction of Payments in Certain Events .

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Employee (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then, prior to the making of any Payment to Employee, a calculation shall be made comparing (i) the net benefit to Employee of the Payment after payment of the Excise Tax, to (ii) the net benefit to Employee if the Payment had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payment shall be limited to the extent necessary to avoid being subject to the Excise Tax (the "Reduced Amount"). The reduction of the Payments due hereunder, if applicable, shall be made by first reducing cash Payments and then, to the extent necessary, reducing those Payments having the next highest ratio of Parachute Value to actual present value of such Payments as of the date of the Change in Control, as determined by the Determination Firm (as defined in Section 11(b) below). For purposes of this Section 11, present value shall be determined in accordance with Section 280G(d)(4) of the Code. For purposes of this Section 11, the “Parachute Value” of a Payment means the present value as of the date of the Change in Control of the portion of such Payment that constitutes a “parachute payment” under Section 280G(b)(2) of the Code, as determined by the Determination Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

(b) The determination of whether an Excise Tax would be imposed, the amount of such Excise Tax, and the calculation of the amounts referred to Section 11(a)(i) and (ii) above shall be made by an independent, nationally recognized accounting firm or compensation consulting firm mutually acceptable to the Company and Employee (the "Determination Firm") which shall provide detailed supporting calculations. Any determination by the Determination Firm shall be binding upon the Company and Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Determination Firm hereunder, it is possible that Payments which Employee was entitled to, but did not receive pursuant to Section 11(a), could have been made without the imposition of the Excise Tax ("Underpayment"). In such event, the Determination Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Employee but no later than March 15 of the year after the year in which the Underpayment is determined to exist, which is when the legally binding right to such Underpayment arises.

12. Indemnification.

12.01 Company Obligations . The Company hereby indemnifies and agrees to hold harmless Employee, to the extent allowed by applicable law, against all liabilities, obligations, claims, demands, actions, causes of action, lawsuits, judgments, expenses and costs, including but not limited to the reasonable costs of investigation and attorney's fees, incurred by the Employee as a result of any threat, demand, claim action or lawsuits, made, instituted or initiated against the Employee, which arises out of, results from or relates to this Agreement or any action taken by

Employee’s Initials:

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Employee in the course of performance of Employee's duties hereunder, except for Employee's own gross negligence or willful misconduct.

12.02 Notice and Defense of Claim . If any claim suit or other legal proceeding shall be commenced, or any claim or demand be asserted against the Employee and Employee desires indemnification pursuant to this paragraph, the Company shall be notified to such effect with reasonable promptness and shall have the right to assume at its full cost and expense the entire control of any legal proceeding, subject to the right of the Employee to participate at his full cost and expense and with counsel of his choice in the defense, compromise or settlement thereof. The Employee shall cooperate fully in all respects with the Company in any such defense, compromise or settlement, including, without limitation, making available to the Company all pertinent information under the control of the Employee. The Company may compromise or settle any such action, suit, proceeding, claim or demand without Employee's approval so long as the Company obtains for Employee's benefit a release of liability with respect to such claim from the claimant and the Company assumes and agrees to pay any amounts due with respect to such settlement. In no event shall the Company be liable for any settlement entered into by the Employee without the Company's prior written consent.

12.03 Survival . The provisions of Sections 12.01 and 12.02 shall survive the termination of this Agreement unless Employee is terminated for Cause, in which event such provisions shall not survive termination of this Agreement.

12.04 Liability Insurance. The Company shall use commercially reasonable efforts to obtain and maintain directors' and officers' liability insurance covering the Employee to the same extent as the Company covers its other officers and directors.

13. Dispute Resolution.

13.01 Agreement to Arbitrate . In consideration for his continued employment with the Company, and other consideration, the sufficiency of which is hereby acknowledged, Employee acknowledges and agrees that any controversy or claim arising out of or relating to Employee's employment, termination of employment, or this Agreement including, but not limited to, controversies and claims that are protected or covered by any federal, state, or local statute, regulation or common law, shall be settled by arbitration pursuant to the Federal Arbitration Act. This includes, but is not limited to, violations or alleged violations of any federal or state statute or common law (including, but not limited to, the laws of the United States or of any state, or the Constitution of the United States or of any state), or of any other law, statute, ordinance, including but not limited to, the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Equal Pay Act, the Employee Retirement Income Security Act of 1972, as amended, the Rehabilitation Act of 1973, and any other statute or common law. This provision shall not, however, preclude the Company from seeking equitable relief as provided in Section 10.07 of this Agreement.

Employee's Initials:

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13.02 Procedure. The arbitration shall be conducted in accordance with the Employment Arbitration Rules of the American Arbitration Association: a single arbitrator who is experienced in employment law shall be selected under those Rules, and the arbitration shall be initiated in Atlanta, Georgia, unless the parties agree in writing to a different location or the Arbitrator directs the arbitration to be held at a different location. Except for filing fees, all costs of the arbitrator shall be allocated by the arbitrator. If the arbitrator awards monetary relief to Employee, the arbitrator shall have the discretion to award Employee's attorney's fees and costs if the arbitrator deems it appropriate. The award rendered by the arbitrator shall be final and binding on the parties hereto and judgment thereon may be entered in any court having jurisdiction thereof. In addition to that provided for in the Employment Arbitration Rules, the arbitrator has sole discretion to permit discovery consistent with the Federal Rules of Civil Procedure and the judicial interpretation of those rules upon request by any party; provided, however, it is the intent of the parties that the arbitrator limit the time and scope of any such discovery to the greatest extent practicable and provide a decision as rapidly as possible given the circumstances of the claims to be determined. The arbitrator also shall have the power and authority to grant injunctive relief for any violation of Sections 10.02 through and including 10.04 and the arbitrator's order granting such relief may be entered in any court of competent jurisdiction. The agreement to arbitrate any claim arising out of the employment relationship or termination of employment shall not apply to those claims which cannot be made subject to this provision by statute, regulation or common law. These include, but are not limited to, any claims relating to work related injuries and claims for unemployment benefits under applicable state laws.

13.03 Rights of Parties. Nothing in this clause shall be construed to prevent the Company from asking a court of competent jurisdiction to enter appropriate equitable relief to enjoin any violation of this Agreement by Employee. The Company shall have the right to seek such relief in connection with or apart from the parties' rights under this clause to arbitrate all disputes. With respect to disputes arising under this Agreement that are submitted to a court rather than an arbitrator, including actions to compel arbitration or for equitable relief in aid of arbitration, the parties agree that venue and jurisdiction are proper in any state or federal court lying within Atlanta, Georgia and specifically consent to the jurisdiction and venue of such court for the purpose of any proceedings contemplated by this paragraph. By entering into this Agreement the parties have waived any right which may exist for a trial by jury and have expressly agreed to resolve any disputes covered by this Agreement through the arbitration process described herein.

14. Employee Acknowledgment.

By signing this Agreement, Employee acknowledges that the Company has advised Employee of his right to consult with an attorney prior to executing this Agreement; that he has the right to retain counsel of his own choosing concerning the agreement to arbitrate or any waiver of rights or claims; that he has read and fully understands the terms of this Agreement and/or has had the right to have it reviewed and approved by counsel of choice, with adequate opportunity and time for such review; and that he is fully aware of its contents and of its legal effect. Accordingly, this Agreement shall not be construed against any party on the grounds that the party drafted this Agreement. Instead, this Agreement shall be interpreted as though drafted equally by all parties.

Employee's Initials:

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15. Amendments.

This Agreement may not be altered, modified or amended except by a written instrument signed by each of the parties hereto.

16. Successors.

As used in this Agreement, the term the Company shall include any successors to all or substantially all of the business and/or assets of the Company which assumes and agrees to perform this Agreement.

17. Assignment.

Neither this Agreement nor any of the rights or obligations of either party hereunder shall be assigned or delegated by any party hereto without the prior written consent of the other party, except that the Company may without the consent of Employee assign its rights and delegate its duties hereunder to any successor to the business of the Company. In the event of the assignment by the Company of its rights and the delegation of its duties to a successor to the business of the Company and the assumption of such rights and obligations by such successor, the Company shall, effective upon such assumption, be relieved from any and all obligations whatsoever to Employee hereunder.

18. Waiver.

Waiver by any party hereto of any breach or default by any other party of any of the terms of this Agreement shall not operate as a waiver of any other breach or default, whether similar to or different from the breach or default waived.

19. Severability.

In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

20. Survival.

Notwithstanding anything herein to the contrary, the provisions of Sections 7, 8, 9, 10, 11, 12 and 13 shall survive the termination of this Agreement.

Employee’s Initials:

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21. Entire Terms.

This Agreement contains the entire understanding of the parties with respect to the employment of Employee by the Company. There are no restrictions, agreements, promises, warranties, covenants or undertakings other than those expressly set forth herein. This Agreement supersedes all prior agreements, arrangements and understandings between the parties, whether oral or written, with respect to the employment of Employee.

22. Notices.

Notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or if mailed in the manner herein specified, five (5) days after postmark of such mailing when mailed by United States registered mail, return receipt requested, postage prepaid, addressed as follows:

If to Employee:

William P. Matt
400 Perimeter Center Terrace
Suite 1000
Atlanta, Georgia 30346

If to the Company to:

Popeyes Louisiana Kitchen, Inc.
400 Perimeter Center Terrace
Suite 1000
Atlanta, Georgia 30346
Attn: Chief Executive Officer

or to such other address or such other person as Employee or the Company shall designate in writing in accordance with this Section 22 except that notices regarding changes in notices shall be effective only upon receipt.

23. Headings.

Headings to Sections in this Agreement are for the convenience of the parties only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement.

24. Governing Law; Forum.

The Agreement shall be governed by the laws of the State of Georgia without reference to the principles of conflict of laws. The Parties agree that the exclusive forum for any action for injunctive relief relating to the Restrictive Covenants shall be the state or federal courts of the State of Georgia.

25. Compliance with § 409A of the Code.

25.01 In General . To the extent this Agreement is subject to § 409A of the Code, the Company and Employee intend all payments under this Agreement to comply with the requirements of such section, and this Agreement shall, to the extent reasonably practicable, be operated and administered to effectuate such intent.

25.02 Six-Month Delay in Certain Circumstances . Notwithstanding anything in this Agreement to the contrary, to the extent that any amount or benefit that would constitute non-exempt “deferred compensation” within the meaning of § 409A of the Code and the related income tax regulations (“Non-Exempt Deferred Compensation”) would otherwise be payable or distributable under this Agreement by reason of Employee’s Separation from Service during a period in which he is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Company under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

(i) the amount of such Non-Exempt Deferred Compensation that would otherwise be payable during the six-month period immediately following Employee’s Separation from Service will be accumulated through and paid or provided on the first day of the seventh month following Employee’s Separation from Service (or, if Employee dies during such period, within 30 days after Employee’s death) (in either case, the “Required Delay Period”); and

(ii) the normal payment or distribution schedule for any remaining payments or distributions will resume at the end of the Required Delay Period.

For purposes of this Agreement, the term “Specified Employee” has the meaning given such term in Code Section 409A and the final regulations thereunder.

25.03 Timing of Release of Claims . Whenever in this Agreement a payment or benefit is conditioned on Employee’s execution of a release of claims, such release must be executed and all revocation periods shall have expired within 60 days after the Employee’s Separation from Service; failing which such payment or benefit shall be forfeited. If such payment or benefit constitutes Non-Exempt Deferred Compensation, and if such 60-day period begins in one calendar year and ends in the next calendar year, the payment or benefit shall not be made or commence before the second such calendar year, even if the release becomes irrevocable in the first such calendar year. In other words, Employee is not permitted to influence the calendar year of payment based on the timing of his signing of the release.

Employee’s Initials:

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25.04 Timing of Reimbursements and In-kind Benefits . If Employee is entitled to be paid or reimbursed for any taxable expenses under this Agreement, and such payments or reimbursements are includible in Employee's federal gross taxable income, the amount of such expenses reimbursable in any one calendar year shall not affect the amount reimbursable in any other calendar year, and the reimbursement of an eligible expense must be made no later than December 31 of the year after the year in which the expense was incurred. Employee's rights to payment or reimbursement of expenses under this Agreement shall not be subject to liquidation or exchange for another benefit.

[SIGNATURE PAGE FOLLOWS]

Employee's Initials:

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IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and Employee has hereunto set his hand as of the day and year first above written.

COMPANY:

POPEYES LOUISIANA KITCHEN, INC.

/ s/ John M. Cranor, III
By: ________________________________
John M. Cranor, III
Chairman of the Board

EMPLOYEE:

/s/ William P. Matt
____
William P. Matt

Employee's Initials:

____

Exhibit 10.2

August 21, 2014

William P. Matt
3990 Molland
New Albany, Ohio 43054

Dear Will:

This letter reflects the terms under which Popeyes Louisiana Kitchen, Inc. (“Popeyes”) would assist you in the event you accept our offer to join us as CFO, and your move to Atlanta results in you selling your current house for less than your current cost basis of $2,250,000 (the “Cost Basis Amount”). Based on that understanding, we would offer you the following assistance related to your selling of your Ohio house:

- A one one-time payment (the “Payment”) to be made by Popeyes to you covering fifty percent (50%) of the difference, if any, between: (1) the Cost Basis Amount, and (2) the eventual selling price of the house (the “Selling Price”), if that Selling Price is less than the Cost Basis Amount. The difference will be calculated based on the gross selling price of the house. Notwithstanding anything to the contrary herein, the Payment shall not exceed One Hundred Fifty Thousand Dollars ($150,000.00).

The Payment is contingent upon the following conditions:

- You must be an employee of Popeyes at the time of the closing on the sale of your house;
- Delivery to Popeyes of the final closing statement executed by all required parties showing the gross sales price of the house;
- Delivery to Popeyes of a statement from the closing attorney or closing agent certifying that the closing has occurred on the house, that all monies have been disbursed, all documents have been delivered and that there are no unsatisfied conditions on the closing;
- Verification of the Cost Basis Amount; and
- Your understanding and agreement that Popeyes reserves the right to require full repayment of the Payment in the event you leave the employment of Popeyes for any reason within twelve (12) months of the date of the Payment.

You will be provided the Payment no later than ten (10) business days from satisfaction of the conditions listed above.

The terms of this letter shall be memorialized in a written agreement between Popeyes and you upon your first date of employment with Popeyes as its CFO.

Please let me know if you have any questions regarding this letter.

Sincerely:

/s/ Cheryl A. Bachelder
Cheryl A. Bachelder
Chief Executive Officer
Popeyes Louisiana Kitchen, Inc.

cc: Sonny Cohen

Acknowledged and Agreed to
this ___ day of August, 2014.

By:__ /s/ William P. Matt ___
William P. Matt

Exhibit 10.3

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT, dated as of August 21, 2014, is made by and between Popeyes Louisiana Kitchen, Inc., a Minnesota corporation (the "Company"), and William P. Matt , an employee of the Company ("Employee").

WHEREAS, Employee has been appointed as the Chief Financial Officer of the Company effective August 21, 2014; and

WHEREAS, it will be difficult to retain key employees of the Company unless such employees are adequately indemnified against liabilities incurred and claims made in performance of their duties as employees of the Company; and

WHEREAS, it is in the best interests of the Company to retain such key employees by providing adequate indemnification by means of indemnification agreements with key individual employees.

NOW, THEREFORE, in consideration of Employee's continued service as an employee of the Company, and as an inducement to Employee to continue to serve as an employee of the Company, the Company and Employee agree as follows:

1. Indemnification . The Company agrees to indemnify and hold Employee harmless from and against any claims, liabilities, damages, judgments, penalties, fines or expenses of any type whatsoever incurred by Employee in or arising out of the status, capacities or activities of Employee as an employee of the Company to the maximum extent permitted under Minnesota Statutes, Section 302A.521 (attached hereto as Exhibit A) as in effect on the date hereof.

2. Advances of Expenses . Subject to Employee's execution of a written affirmation, satisfactory to the Company, of the Employee's good faith belief that the criteria for indemnification have been satisfied and to repay all amounts advanced by the Company if it is ultimately determined that the criteria for indemnification have not been satisfied, the Company shall advance all expenses incurred by Employee in connection with the investigation, defense, settlement or appeal of any proceeding, action or investigation to which Employee is a party or is threatened to be made a party arising out of the status, capacities or activities of Employee as an employee of the Company to the maximum extent permitted under Minnesota Statutes, Section 302.521, subd. 3 as in effect on the date of this Agreement upon the determination by the Company that the facts then known to those making the determination would not preclude indemnification under Section 502A.521, subd. 6 within 60 days after receipt of said written affirmation. Employee shall have a reasonable right to appear in person and to be represented by counsel.

3. Other Rights of Employee . The right of Employee to indemnification or advance of expenses pursuant to this Agreement shall not be exclusive of other rights Employee may have (i) under applicable law, (ii) pursuant to other agreements between the Company and Employee or

the Company's Articles of Incorporation or Bylaws, or (iii) pursuant to any agreement with a third party (by way of insurance, indemnification or otherwise).

4. Absolute Right to Indemnification and Advances of Expenses . The Company agrees that it shall not, and the Company hereby waives all rights that it has or may have to, refuse to indemnify or advance expenses, or withhold payment of amounts for which Employee is indemnified hereunder, or for advance of expenses to Employee, based on any breach or alleged breach of any of the provisions of this Agreement by Employee or for any other reason whatsoever. In the event Employee is required to bring any action to enforce Employee's rights or to collect monies due to Employee under this Agreement, and is successful in such action, the Company shall reimburse Employee for all of Employee's legal fees and expenses in bringing and pursuing such action.

5. Amendments to Minnesota Statutes or Company's Articles of Incorporation or Bylaws . The Company represents that its Bylaws provide for indemnification of Employee to the maximum extent permitted by Minnesota Statutes, Section 302A.521 as in effect on the date hereof and to the maximum extent required by this Agreement. The Company shall not amend its Articles of Incorporation or Bylaws to reduce or eliminate the Employee's right to indemnification or advances provided for under this Agreement. Any amendments to the Articles of Incorporation or Bylaws of the Company made subsequent to the date of this Agreement which reduce or eliminate rights of persons entitled to indemnification or advances under such Articles of Incorporation or Bylaws shall not limit the rights of Employee pursuant to this Agreement. If the Minnesota Statutes, the Articles of Incorporation or the Bylaws of the Company are amended so as to provide for greater indemnification rights or benefits, and Employee shall be entitled to such greater rights or benefits, and Employee shall be entitled to such greater rights and benefits immediately upon such amendment. Subsequent amendments to the Minnesota Statutes or other applicable law shall in no way reduce Employee's rights under this Agreement.

6. Maintenance of Insurance . The Company represents that it presently has in force and effect directors and officers insurance under directors' and officers' liability insurance policies covering certain liabilities which may be incurred by its officers and directors. The Company may maintain in effect, for the benefit of Employee, directors' and officers' insurance providing such coverage as may, from time to time, be determined by the Board of Directors of the Company, in its absolute discretion.

7. Notification . Promptly after receipt by Employee of the Company of any notice
or document respecting the commencement of any action, suit, proceeding or investigation naming or involving Employee and relating to any matter concerning which Employee may be entitled to indemnification or advances pursuant to this Agreement, the party receiving notice will notify the other of the receipt of same, but the failure by Employee to so notify the Company shall not relieve the Company from any obligation under this Agreement or otherwise.

8. Amendment . This Agreement may be amended at any time by written instrument executed by the Company and Employee.

9. Notices . All notices and other communications between the parties with respect to this Agreement must be made in writing and shall be deemed to have been fully delivered as of the

date on which they are hand delivered or deposited in the United States mail for delivery by registered or certified mail, postage and fees prepaid.

10. Binding Effect. Due to the personal nature of the services to be rendered by Employee, Employee may not assign this Agreement. Subject to the foregoing, the provisions of this Agreement are binding upon and inure to the benefit of (i) Employee and Employee's respective heirs, legal representatives and administrators, and (ii) the Company and its successors, transferees and assigns.

11. Survival. The obligations of the Company to Employee as provided in this Agreement shall survive and continue after Employee has ceased to be an employee of the Company.

12. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

13. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be discussed between the parties in a good faith effort to arrive at a mutual settlement of any such controversy. If, notwithstanding the parties' good faith efforts, a dispute remains unresolved for a period of 45 days after initial notice from one party to the other of the dispute, the parties shall submit such dispute to arbitration in accordance with the rules of the American Arbitration Association, and judgment upon the award may be entered in any court having jurisdiction over the controversy. The costs of the proceeding shall be paid by the Company. Unless otherwise agreed upon, the place of arbitration proceedings shall be Fulton County, Georgia.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

POPEYES LOUISIANA KITCHEN, INC.

By:___ /s/ Cheryl A. Bachelder ________________________
Cheryl A. Bachelder, Chief Executive Officer

EMPLOYEE:

By: _ /s/ William P. Matt ___________________________
William P. Matt

Exhibit 31.1

CERTIFICATION

I, Cheryl A. Bachelder certify that:

1. I have reviewed this quarterly report on Form 10-Q 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.

Date: November 12, 2014

/s/ Cheryl A. Bachelder

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

Exhibit 31.2

CERTIFICATION

I, William Matt, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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.

Date: November 12, 2014

/s/ William Matt

William Matt
Chief Financial Officer
(Principal Financial Officer)

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 Quarterly Report on Form 10-Q of Popeyes Louisiana Kitchen, Inc. (the “Corporation”) for the period ended October 5, 2014 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.

Date: November 12, 2014

/s/ Cheryl A. Bachelder

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

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 Quarterly Report on Form 10-Q of Popeyes Louisiana Kitchen, Inc. (the “Corporation”) for the period ended October 5, 2014 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.

Date: November 12, 2014

/s/ William Matt

William Matt
Chief Financial Officer
(Principal Financial Officer)