POPEYES LOUISIANA KITCHEN, INC.

FORM 10-Q
(Quarterly Report)

Filed 05/28/14 for the Period Ending 04/20/14

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 April 20, 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 May 16, 2014 there were 23,650,211 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)

	4/20/2014	12/29/2013
Current assets:		
Cash and cash equivalents	$ 11.8	$ 9.6
Accounts and current notes receivable, net	9.5	8.9
Other current assets	4.3	9.8
Advertising cooperative assets, restricted	30.2	27.8
Total current assets	55.8	56.1
Long-term assets:		
Property and equipment, net	80.2	77.6
Goodwill	11.1	11.1
Trademarks and other intangible assets, net	53.2	53.4
Other long-term assets, net	2.1	2.3
Total long-term assets	146.6	144.4
Total assets	$ 202.4	$ 200.5
Current liabilities:		
Accounts payable	$ 7.6	$ 8.5
Other current liabilities	5.1	8.1
Current debt maturities	0.3	0.3
Advertising cooperative liabilities	30.2	27.8
Total current liabilities	43.2	44.7
Long-term liabilities:		
Long-term debt	66.8	66.9
Deferred credits and other long-term liabilities	30.7	30.1
Total long-term liabilities	97.5	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; 23,644,053 and 23,784,041 shares issued and outstanding at April 20, 2014 and December 29, 2013, respectively)	0.2	0.2
Capital in excess of par value	69.5	77.9
Accumulated deficit	(7.6)	(18.7)
Accumulated other comprehensive loss	(0.4)	(0.6)
Total shareholders' equity	61.7	58.8
Total liabilities and shareholders' equity	$ 202.4	$ 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)

	16 Weeks Ended	
	4/20/2014	4/21/2013
Revenues:		
Sales by company-operated restaurants	$ 29.4	$ 23.9
Franchise royalties and fees	38.8	35.2
Rent from franchised restaurants	1.9	1.3
Total revenues	70.1	60.4
Expenses:		
Restaurant food, beverages and packaging	9.6	7.9
Restaurant employee, occupancy and other expenses	13.8	11.3
General and administrative expenses	24.4	22.0
Occupancy expenses - franchise restaurants	0.9	1.1
Depreciation and amortization	2.6	1.8
Other expenses (income), net	0.1	0.1
Total expenses	51.4	44.2
Operating profit	18.7	16.2
Interest expense, net	0.9	1.1
Income before income taxes	17.8	15.1
Income tax expense	6.7	5.5
Net income	$ 11.1	$ 9.6
Earnings per common share, basic:	$ 0.47	$ 0.41
Earnings per common share, diluted:	$ 0.46	$ 0.40
Weighted-average shares outstanding:		
Basic	23.5	23.6
Diluted	23.9	24.3

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 Comprehensive Income (unaudited)
(In millions)

	16 Weeks Ended	
	4/20/2014	4/21/2013
Net income	$ 11.1	$ 9.6
Other comprehensive income		
Net change in fair value of cash flow hedge	—	0.2
Reclassification adjustments for derivative losses included in earnings	0.3	—
Other comprehensive income, before income taxes	0.3	0.2
Income tax on other comprehensive income	(0.1)	(0.1)
Other comprehensive income, net of income taxes	0.2	0.1
Comprehensive income	$ 11.3	$ 9.7

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				Accumulated Other	
	Number of Shares	Amount	Capital in Excess of Par	Accumulated Deficit	Comprehensive (Loss)	Total
Balance at December 29, 2013	23,784,041	$ 0.2	$ 77.9	$ (18.7)	$ (0.6)	$ 58.8
Net income	—	—	—	11.1	—	11.1
Other comprehensive income, net of income tax	—	—	—	—	0.2	0.2
Repurchases and retirement of shares	(240,095)	—	(10.0)	—	—	(10.0)
Issuance of common stock under stock option plan	57,719	—	0.6	—	—	0.6
Issuance of restricted stock awards, net of forfeitures	42,388	—	(1.7)	—	—	(1.7)
Excess tax benefits from stock-based compensation	—		1.1	—	—	1.1
Stock-based compensation expense	—	—	1.6	—	—	1.6
Balance at April 20, 2014	23,644,053	$ 0.2	$ 69.5	$ (7.6)	$ (0.4)	$ 61.7

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)

	16 Weeks Ended	
	4/20/2014	4/21/2013
Cash flows provided by (used in) operating activities:		
Net income	$ 11.1	$ 9.6
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	2.6	1.8
Asset write-downs	0.1	0.1
Deferred income taxes	(0.1)	0.1
Non-cash interest expense, net	0.4	0.1
Excess tax benefits from stock-based payment arrangements	(1.1)	(1.5)
Stock-based compensation expense	1.6	1.4
Change in operating assets and liabilities:		
Accounts receivable	(0.5)	(0.8)
Other operating assets	6.6	0.9
Accounts payable and other operating liabilities	(3.5)	(1.6)
Net cash provided by operating activities	17.2	10.1
Cash flows used in investing activities:		
Capital expenditures	(6.6)	(8.3)
Net cash used in investing activities	(6.6)	(8.3)
Cash flows provided by (used in) financing activities:		
Principal payments — 2010 credit facility (term loan)	—	(2.8)
Share repurchases	(10.0)	(5.0)
Proceeds from exercise of employee stock options	0.6	0.8
Excess tax benefits from stock-based payment arrangements	1.1	1.5
Other financing activities, net	(0.1)	—
Net cash used in financing activities	(8.4)	(5.5)
Net increase (decrease) in cash and cash equivalents	2.2	(3.7)
Cash and cash equivalents at beginning of year	9.6	17.0
Cash and cash equivalents at end of quarter	$ 11.8	$ 13.3

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 27 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 April 20, 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 (loss) is net income plus the change in fair value of the Company’s cash flow hedge plus derivative (gains) or 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 April 20, 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 $ 0.7 million of net pre-tax derivative losses included in accumulated other comprehensive income at April 20, 2014 will be reclassified into earnings within the next twelve 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 sixteen week period ended April 21, 2013 which increased operating cash flows related to the change in accounts payable and other operating liabilities $ 0.1 million and decreased investing cash flows related to capital expenditures $ 0.1 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, certain prior year amounts have been reclassified to conform with the current year's presentation. "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)	4/20/2014	12/29/2013
Prepaid income taxes	$ 0.2	$ 5.2
Prepaid expenses and other current assets	4.1	4.6
	$ 4.3	$ 9.8

Note 4 — Other Current Liabilities

(In millions)	4/20/2014	12/29/2013
Accrued wages, bonuses and severances	$ 2.9	$ 6.0
Other	2.2	2.1
Other current liabilities	$ 5.1	$ 8.1

The decrease in accrued wages, bonuses and severances during 2014 is primarily due to the timing of annual and quarterly bonus payments.

Note 5 — Fair Value Measurements

The following table reflects assets that are measured at fair value on a recurring basis as of April 20, 2014 and December 29, 2013 :

(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
April 20, 2014				
Financial Assets				
Cash equivalents	$ 11.4	$ —	$ —	$ 11.4
Restricted cash (advertising cooperative assets)	4.3	—	—	4.3
Total assets at fair value	$ 15.7	$ —	$ —	$ 15.7
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 sixteen weeks ended April 20, 2014 .

At April 20, 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 $71.6 million and $72.2 million on April 20, 2014 and December 29, 2013, respectively. The carrying value of our long-term debt, as discussed in Note 6, was $67.1 million and $67.2 million on April 20, 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.

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

Note 6 — Long-term Debt

(In millions)	4/20/2014	12/29/2013
2013 Credit Facility	$ 63.0	$ 63.0
Capital lease obligations	2.2	2.2
Other notes	1.9	2.0
	67.1	67.2
Less current portion	(0.3)	(0.3)
Long-term debt	$ 66.8	$ 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 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 April 20, 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 $61.6 million .

As of April 20, 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 1.4% as of April 20, 2014.

Note 7 — Deferred Credits and Other Long-Term Liabilities

(In millions)	4/20/2014	12/29/2013
Deferred franchise revenues	$ 3.7	$ 3.5
Deferred gains on unit conversions	0.9	1.0
Deferred rentals	7.2	7.4
Above-market rent obligations	2.6	2.6
Deferred income taxes	13.7	13.6
Other	2.6	2.0
Deferred credits and other long-term liabilities	$ 30.7	$ 30.1

Note 8 — Commitments and Contingencies

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.

The Company has established reserves with respect to the programs described above based on the estimated total losses the Company will experience. At April 20, 2014 , the Company's insurance reserves of approximately $0.1 million were collateralized by letters of credit and cash deposits of $0.4 million .

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

Note 9 — Interest Expense, Net

(In millions)	16 Weeks Ended 4/20/2014	16 Weeks Ended 4/21/2013
Interest on debt	$ 0.6	$ 0.9
Amortization and write-offs of debt issuance costs	0.1	0.1
Other debt related charges	0.2	0.1
Interest expense, net	$ 0.9	$ 1.1

Interest expense on debt was $ 0.6 million for the sixteen week period ending April 20, 2014 compared to $ 0.9 million for the sixteen week period ending April 21, 2013 . This decrease is primarily due to the lower effective interest rate under the 2013 Credit Facility.

Note 10 — Income Taxes

The Company's effective tax rates were 37.6% and 36.4% for the sixteen week periods ended April 20, 2014 and April 21, 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 April 20, 2014 and December 29, 2013 , the amount of unrecognized tax benefits were approximately $1.3 million and $1.4 million , respectively, of which approximately $0.1 million and $ 0.2 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 2010 through 2012 are open to audit. In general, the state tax years open to audit range from 2009 through 2012 .

Note 11 — 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 sixteen week period ended April 20, 2014 . There were no potentially dilutive shares excluded from the computation of diluted earnings per share for the sixteen week period ended April 21, 2013 .

(In millions)	16 Weeks Ended 4/20/2014	16 Weeks Ended 4/21/2013
Numerator for earnings per share computation:		
Net Income	$ 11.1	$ 9.6
Denominator for basic earnings per share — weighted average shares	23.5	23.6
Dilutive employee stock awards	0.4	0.7
Denominator for diluted earnings per share	23.9	24.3

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

Note 12 — 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.

	16 Weeks Ended	
(In millions)	**4/20/2014**	**4/21/2013**
Revenues		
Franchise operations	$ 40.7	$ 36.5
Company-operated restaurants	29.4	23.9
	$ 70.1	$ 60.4
Operating profit		
Franchise operations	$ 16.6	$ 14.6
Company-operated restaurants	4.8	3.5
	21.4	18.1
Less unallocated expenses		
Depreciation and amortization	2.6	1.8
Other expenses (income), net	0.1	0.1
Operating Profit	18.7	16.2
Interest expense, net	0.9	1.1
Income before income taxes	$ 17.8	$ 15.1
Capital expenditures		
Franchise operations	$ 2.7	$ 3.8
Company-operated restaurants	3.9	4.5
	$ 6.6	$ 8.3

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 April 20, 2014 , we operated and franchised 2,248 Popeyes restaurants in 47 states, the District of Columbia, three territories, and 27 foreign countries.

Total Operating Restaurants as of:	4/20/2014	12/29/2013
Domestic restaurants:		
Company-Operated	53	53
Franchised	1,735	1,716
International restaurants:		
Franchised	460	456
Total	2,248	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, embedded in each of the strategic pillars above, is the principle that we will invest in the development our people to grow the value of Popeyes. Our goal is to create a culture of servant leadership which is ultimately reflected in the experience our guests enjoy in every Popeyes Louisiana Kitchen restaurant.

First Quarter 2014 Overview

Our 2014 first quarter results and highlights include the following:

- Reported net income was $11.1 million, or $0.46 per diluted share.

- Adjusted earnings per diluted share were $0.46 compared to $0.40 in 2013, representing a 15% increase. 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."

- Global same-store sales increased 4.5% in 2014, for a two-year growth rate of 9.0%.
  - Total domestic same-store sales increased 4.3%, compared to 4.5% last year.
  - International same-store sales increased 5.8%, compared to 4.1% last year.

- Popeyes domestic same-store sales have outpaced the chicken-QSR segment for 24 consecutive quarters and overall QSR for 10 consecutive quarters according to independent data.

- Popeyes market share of the domestic chicken-QSR segment reached 22.3%, compared to 20.2% in the prior year.

- The Popeyes system opened 27 restaurants which included 19 domestic and 8 international restaurants, compared to 40 openings in the prior year. Included in 2013 domestic openings were the conversion of 3 properties acquired in 2012 in Minnesota and California.

- Net restaurant openings were 11, compared to 16 net restaurant openings last year.

- Total system-wide sales increased by 10.9%.

- Total revenues increased 16% to $70.1 million in 2014 from $60.4 million in the prior year.

- Operating EBITDA was $21.4 million at 30.5% of total revenue compared to $18.1 million last year representing an 18% increase. Operating EBITDA is a supplemental non-GAAP measure of performance. See the heading entitled “Management’s Use of Non-GAAP Financial Measures.”

- Company-operated restaurant operating profit was $6.0 million, or 20.4% of sales, compared to $4.7 million, or 19.7% of sales in 2013.

- Free cash flow was $14.2 million in 2014, compared to $11.7 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 approximately 240,000 shares of its common stock for approximately $10.0 million.

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

(Dollars in millions except per share data)	16 Weeks Ended 4/20/2014	16 Weeks Ended 4/21/2013
Sales by company-operated restaurants	$ 29.4	$ 23.9
Franchise royalties and fees (a)	38.8	35.2
Rent from franchised restaurants	1.9	1.3
Total revenues	$ 70.1	$ 60.4
Operating profit	$ 18.7	$ 16.2
Net income	$ 11.1	$ 9.6
Earnings per common share, basic	$ 0.47	$ 0.41
Earnings per common share, diluted	$ 0.46	$ 0.40
Global system-wide sales increase	10.9%	10.2%
Same-store sales increase (b)		
Company-operated restaurants	5.9%	3.1%
Domestic franchised restaurants	4.3%	4.6%
Total domestic (company-operated and franchised restaurants)	4.3%	4.5%
International franchised restaurants	5.8%	4.1%
Total global system	4.5%	4.5%
Company-operated restaurants (all domestic)		
Restaurants at beginning of quarter	53	45
New restaurant openings	1	1
Permanent closings	(1)	—
Restaurants at quarter-end	53	46
Franchised restaurants (domestic and international)		
Restaurants at beginning of quarter	2,172	2,059
New restaurant openings	26	39
Permanent closings	(15)	(24)
Temporary (closings)/re-openings, net	12	(1)
Restaurants at quarter-end	2,195	2,073
Total system restaurants	2,248	2,119

(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 first quarter of 2014 and 2013 , franchisee sales, as reported by our franchisees, were approximately $780.7 million and $706.6 million , respectively.

(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 first quarter performance, the Company is adjusting full year guidance to:

- Same-store sales growth of 3.0% to 4.0%, compared to previous guidance of 2.0% to 3.0%.
- Adjusted earnings per diluted share in the range of $1.58 to $1.63, compared to previous guidance of $1.57 to $1.62.

The Company also reiterates the following guidance:

- 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.
- General and administrative expenses of approximately 3.0% of system-wide sales.
- An effective income tax rate in 2014 of approximately 38%, compared to 37.4% in 2013.
- Capital expenditures for the year of $30 to $35 million.
- Share repurchases of $20 to $30 million.

Comparisons of the First Quarter for 2014 and 2013

Sales by Company-operated Restaurants

Sales by Company-operated restaurants were $29.4 million in the first quarter of 2014 , a $5.5 million increase from the first quarter of 2013 . The increase was primarily due to a same–store sales increase of 5.9% in the first quarter of 2014 and seven net openings over the last four consecutive quarters.

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 $38.8 million in the first quarter of 2014 , a $3.6 million increase from the first quarter of 2013 . The increase was primarily due to a $3.6 million increase in royalty revenue from positive same-store sales and new franchised restaurants and a $0.7 million increase in renewal, transfer and other franchise revenues partially offset by $0.7 million decrease in franchise fees associated with the conversion and franchising of three restaurant properties in Minnesota and California recognized in first quarter 2013.

Rent from Franchised Restaurants

Rent from franchised restaurants was $1.9 million in the first quarter 2014, a $0.6 million increase from the first quarter 2013. The increase was primarily due to $0.6 million in 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 $6.0 million , or 20.4% of sales, compared to $4.7 million, or 19.7% of sales last year. The $1.3 million increase in ROP was primarily due to higher revenues resulting from positive same-store sales and net restaurant openings. The improvement in ROP margin was primarily attributable to lower 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 $24.4 million , or 3.0% of system-wide sales, compared to $22.0 million , or 3.0% of system-wide sales last year.

The $2.4 million increase in general and administrative expenses was primarily attributable to a:

- $0.7 million increase in performance-based incentive compensation expense,
- $0.5 million increase in domestic franchisee restaurant support services and assessments,
- $0.5 million increase in leadership development expenses,
- $0.4 million increase in domestic franchise restaurant development expenses, and
- $0.3 million increase in global supply chain, marketing, menu development and other expenses, net.

Depreciation and amortization

Depreciation and amortization was $2.6 million compared to $1.8 million last year. The $0.8 million increase in depreciation and amortization is primarily attributable to depreciation associated with new company-operated restaurants and acquired restaurant properties converted and leased to franchisees in Minnesota and California.

Operating Profit

Operating profit was $18.7 million , a $2.5 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.

	16 Weeks Ended			
(Dollars in millions)	**4/20/2014**	**4/21/2013**	**Fluctuation**	**As a Percent**
Franchise operations	$ 16.6	$ 14.6	$ 2.0	13.7%
Company-operated restaurants	4.8	3.5	1.3	37.1%
Operating profit before unallocated expenses	21.4	18.1	3.3	18.2%
Less unallocated expenses:				
Depreciation and amortization	2.6	1.8	0.8	44.4%
Other expenses (income), net	0.1	0.1	—	—
Operating profit	$ 18.7	$ 16.2	$ 2.5	15.4%

The $2.0 million growth in franchise operations was primarily due to the $3.6 million increase in franchise royalties and fees and the $0.6 million increase in rents from franchised restaurants partially offset by increases in general and administrative expenses related to performance-based incentive compensation expense, 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 $4.8 million , a $1.3 million or 37.1% increase from 2013. The increase was attributable to the $1.3 million increase in restaurant operating profit.

Income Tax Expense

Income tax expense was $6.7 million at an effective tax rate of 37.6% , compared to an effective tax rate of 36.4% 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 2013 Credit Facility.

Based primarily upon our generation of cash flow from operations, our existing cash reserves (approximately $11.8 million available as of April 20, 2014), and available borrowings under our 2013 Credit Facility (approximately $61.6 million available as of April 20, 2014), 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 $17.2 million and $10.1 million for the first quarter 2014 and first quarter 2013, respectively. The $7.1 million increase in cash flows from operating activities was primarily due to a $2.6 million increase in net income after non-cash adjustments and a $4.5 million change in operating assets and liabilities primarily due to the timing of income tax payments and excess tax benefits from share-based payment arrangements.

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 $6.6 million and $8.3 million for the first quarter 2014 and first quarter 2013, respectively. Cash used in investing activities consisted of capital expenditures for the construction of new company-operated restaurants; conversion of restaurants in Minnesota and California; re-imaging activities associated with company-operated restaurants; other capital assets to maintain, replace and extend the lives of company-operated restaurant equipment and facilities; and investments in information technology and other property and equipment. The table below summarizes our capital expenditures for first quarter 2014 and first quarter 2013:

	16 Weeks Ended	
(dollars in millions)	4/20/2014	4/21/2013
Construction of new company-operated restaurants	$ 3.2	$ 3.6
Conversion of restaurants in Minnesota and California	2.3	3.6
Reimaging activities at company-operated restaurants	0.4	0.5
Information technology and corporate office expansion	0.4	0.2
Other capital assets	0.3	0.4
Total capital expenditures	$ 6.6	$ 8.3

Net cash used in financing activities was $8.4 million in the first quarter 2014 and $5.5 million in first quarter 2013. The increase in cash used in financing activities was primarily due to $5.0 million increase in share repurchases partially offset by $2.8 million first quarter 2013 principal payments on the 2010 credit facility retired at the end of 2013, $0.4 million lower tax benefits from stock-based payment arrangements and $0.3 million in lower proceeds from employee stock option exercises and other financing activities, net.

The Company is in compliance with all debt covenant requirements.

We repurchased 240,095 shares of our common stock for approximately $10.0 million during the first quarter of 2014 . The remaining value of shares that may be repurchased under the Company’s current share repurchase program is approximately $21.5 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. During the sixteen weeks ended April 20, 2014 , there have been no material changes outside the ordinary course of business in the contractual obligations specified in the 2013 Form 10-K.

Long-Term Debt

For a discussion of our long-term debt, see Note 6 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 in asset write downs for both first quarter 2014 and first quarter 2013, respectively; and

ii. 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 first quarter 2014 and first quarter 2013 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 on its condensed consolidated statement of operations to adjusted earnings per diluted share:

(in millions, except per share data)	Q1 2014	Q1 2013
Net income	$ 11.1	$ 9.6
Other expense (income), net	0.1	0.1
Tax effect	(0.1)	(0.1)
Adjusted earnings	$ 11.1	$ 9.6
Adjusted earnings per diluted share	$ 0.46	$ 0.40
Weighted average diluted shares outstanding	23.9	24.3

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 first quarter 2014 and first quarter 2013 , 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 on its condensed consolidated statement of operations. Operating EBITDA margin is defined as operating EBITDA divided by total revenues.

(in millions)	Q1 2014	Q1 2013
Net income	$ 11.1	$ 9.6
Interest expense, net	0.9	1.1
Income tax expense	6.7	5.5
Depreciation and amortization	2.6	1.8
Other expenses (income), net	0.1	0.1
Operating EBITDA	$ 21.4	$ 18.1
Total revenues	$ 70.1	$ 60.4
Operating EBITDA margin	30.5%	30.0%

Company-Operated Restaurant Operating Profit: Calculation and Definition

The Company defines company-operated restaurant operating profit as sales by company-operated restaurants minus restaurant employee, occupancy and other expenses minus restaurant food, beverages and packaging. The following table reconciles on a historical basis for first quarter 2014 and first quarter 2013 , 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 on its condensed consolidated statements of operations. Company-operated restaurant operating profit margin is defined as company-operated restaurant operating profit divided by sales by company-operated restaurants.

(in millions)	Q1 2014	Q1 2013
Sales by company-operated restaurants	$ 29.4	$ 23.9
Restaurant food, beverages and packaging	9.6	7.9
Restaurant employee, occupancy and other expenses	13.8	11.3
Company-operated restaurant operating profit	$ 6.0	$ 4.7
Company-operated restaurant operating profit margin	20.4%	19.7%

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 first quarter 2014: $0.4 million in company-operated restaurant reimages, $0.4 million of information technology and corporate office expansion, and $0.3 million in other capital assets to maintain, replace and extend the lives of company-operated restaurant facilities and equipment; and for first quarter 2013, $0.5 million in Company-operated restaurant reimaging and $0.6 million of information technology and other capital assets to maintain, replace and extend the lives of Company-operated restaurant facilities.

The following table reconciles on a historical basis for first quarter 2014 and first quarter 2013, 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 on its consolidated statements of operations.

(in millions)	Q1 2014	Q1 2013
Net income	$ 11.1	$ 9.6
Depreciation and amortization	2.6	1.8
Stock-based compensation expense	1.6	1.4
Maintenance capital expenditures (1)	(1.1)	(1.1)
Free cash flow	$ 14.2	$ 11.7

(1) Q1 2013 maintenance capital expenditures have been revised to conform with the current year presentation. Maintenance capital expenditures decreased $0.2 million to eliminate accrued maintenance capital expenditures which increased free cash flow $0.2 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 sixteen weeks ended April 20, 2014 and April 21, 2013 , foreign currency revenues represented approximately 4.1% and 4.4%, respectively, of our total revenues. All other things being equal, for the sixteen weeks ended April 20, 2014 , operating profit would have decreased by approximately $0.3 million if all foreign currencies uniformly weakened 10% relative to the U.S. dollar.

As of April 20, 2014 , approximately $1.1 million of our accounts receivable were denominated in foreign currencies. Our international franchised operations are in 27 foreign countries with approximately 47% 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 April 20, 2014 , we had outstanding borrowings under our 2013 Credit Facility of $ 63 million .

As of April 20, 2014 , the Company’s weighted average interest rate for all outstanding indebtedness under the 2013 Credit Facility was approximately 1.40%. 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 $0.6 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 Interim 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 sixteen week period ended April 20, 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 8 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 first quarter of 2014 , we repurchased 240,095 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 1 (12/30/13 — 1/26/14)	—	$ —	—	$ 31,528,485
Period 2 (1/27/14 — 2/23/14)	—	$ —	—	$ 31,528,485
Period 3 (2/24/14 — 3/23/14)	149,116	$ 41.68	149,116	$ 25,313,667
Period 4 (3/24/14 — 04/20/14)	90,979	$ 41.44	90,979	$ 21,543,453
Total	240,095	$ 41.59	240,095	$ 21,543,453

All shares were purchased pursuant to the Company's share repurchase program previously announced on July 22, 2002.

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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 Incorporation of the Company, as amended, dated June 24, 2002 (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 Term Letter to Tony Woodard, dated May 13, 2014.
Exhibit 10.2	Letter re Severance Agreement to Tony Woodard, dated May 13, 2014.
Exhibit 10.3	Indemnification Agreement to Tony Woodard
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 11 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: May 28, 2014	By:	/s/ Tony Woodard
		Tony Woodard
		Interim Chief Financial Officer
		(Duly Authorized Officer and Principal Financial Officer)

EXHIBIT 10.1

May 13, 2014

Tony Woodard
1855 Bishop's Green Dr.
Marietta, GA 30062

ADDRESSEE ONLY – PERSONAL & CONFIDENTIAL

Dear Tony,

Thank you for stepping into the role of interim CFO and for assisting us with the transition. I have every confidence that you will provide leadership to the finance team while ensuring our business remains strong. You can count on the full support of the Leadership Team and me as you take on these new responsibilities.

I am pleased to confirm that the Board has unanimously approved to add a $10,000.00 (before taxes) monthly premium to your base salary for each month (or part of) you serve as interim CFO. Your annual bonus will be calculated against your total base salary earnings for the year versus your base salary at year end.

In addition you will also be eligible for the following:

Award	Terms & Condition
Retention Award A guaranteed cash retention award	The cash retention award will be equal in value to the STIP for VPs (30% of base salary),and The award will be paid in March, 2015 after 10K filing
Amended Severance Agreement You are eligible for the amended severance policy from 6 months to 12 months	The amended severance agreement is in effect for the later of one year, or 6 months after the start date of the new CFO This contingency payment will only be paid if you are terminated without cause during this period
2012 – 2014 LITP Grant You are eligible for the three year 2012 – 2014 LTIP Grant	The three year (2012 – 2014) LTIP grant is scheduled to vest in April 2015 In the event you are terminated without cause prior to the vesting date, you will be eligible to receive the award on the same terms as others receiving the award

Congratulations Tony. This recognition is a reflection of my appreciation for the competence and character you will bring to your role. We are grateful to have you on the team.

Sincerely,

/s/ Cheryl A. Bachelder
Cheryl A. Bachelder
Chief Executive Officer

EXHIBIT 10.2

May 13, 2014

Mr. Tony Woodard
1855 Bishop's Green Drive
Marietta, GA 30062

Re: Severance Arrangements

Dear Tony:

With the recent announcement of Mel Hope's departure in May, Popeyes Louisiana Kitchen, Inc. (the "Company") would like to confirm with you that you have been identified as a "Key Employee". The Company believes you are a key participant in its financial functions and would like to retain the continued benefit of your services, and minimize the impact that the recent announcement might have on your long term employment opportunities with the Company.

Therefore, the Company would like to enhance your current severance pay to which you otherwise may be entitled under the Company's current severance plan. The following terms will now cover your severance benefits until the later of one (1) year from the date of this letter agreement, or six (6) months after the start of employment by the new CFO of the Company (the "Transition Period"):

1. As a "Key Employee" you will have the opportunity to receive, instead of the current six (6) months severance pay described in the Company's current severance plan, the amount of twelve (12) months of severance pay based upon your annualized base salary less applicable holdings at the time of severance. The payments will be made either in lump sum or salary continuation, as determined by the Company.

2. Eligibility for the severance benefits described herein will be triggered by your "Eligible Termination" during the Transition Period. This generally means that you will be eligible for severance benefits if your employment with the Company is involuntarily terminated by the Company without Cause (as hereinafter defined); but you will not be eligible if you are terminated for Cause, if you voluntarily terminate your employment with the Company, if your employment ends because of your death or disability, or there is otherwise a separation of service (as defined in the IRS tax code and related income tax regulations). Payment of these severance benefits is further conditioned upon your completion of any reasonably required transition assignments designated by the Company and the execution of a general release of the Company, and any such payments will be made in accordance with the applicable provisions of the IRS tax code and related income tax regulations.

   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, or (iv) Employee otherwise materially breaches a material term of this Agreement.

3. Except as otherwise specified in this letter, all of the terms, conditions and benefits generally available under the Company's standard severance plan will continue to apply to you. To the extent there is a conflict between the terms of this letter and the terms contained in the Company's standard severance plan, then the terms of this letter shall control.

This letter agreement does not alter the at-will employment relationship the Company maintains with you, and the employment relationship may be terminated at any time with or without cause or notice either by you or the Company. Nothing in this Agreement prevents you at any time from seeking employment elsewhere, if you feel that is in your best interest. This Agreement is simply meant to reward you for your willingness to continue your employment pursuant to the terms herein.

Please feel free to contact me if you have any questions.

Sincerely,

/s/ Cheryl A. Bachelder
Cheryl A. Bachelder
Chief Executive Officer

EXHIBIT 10.3

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT, dated as of May 23, 2014, is made by and between Popeyes Louisiana Kitchen, Inc., a Minnesota corporation (the "Company"), and Tony W. Woodard , an employee of the Company ("Employee").

WHEREAS, Employee has been appointed as the Interim Chief Financial Officer of the Company effective May 23, 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.

/s/ Cheryl A. Bachelder
Cheryl A. Bachelder
Chief Executive Officer

EMPLOYEE:

/ s/ Tony W. Woodard
Tony W. Woodard

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: May 28, 2014

/s/ Cheryl A. Bachelder

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

Exhibit 31.2

CERTIFICATION

I, Tony Woodard, 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: May 28, 2014

/s/ Tony Woodard

Tony Woodard

Interim Chief Financial Officer

(Principal Financial and Accounting 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 April 20, 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: May 28, 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 April 20, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, the Interim 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: May 28, 2014

/s/ Tony Woodard

Tony Woodard
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)