

PAPA JOHNS INTERNATIONAL INC

Form 10-Q

November 04, 2014

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 28, 2014

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-21660

PAPA JOHN S INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

61-1203323

(I.R.S. Employer Identification
number)

2002 Papa Johns Boulevard

Louisville, Kentucky 40299-2367

(Address of principal executive offices)

(502) 261-7272

(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 (Section 232.405 of this chapter) 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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

At October 28, 2014, there were outstanding 40,157,097 shares of the registrant's common stock, par value \$0.01 per share.

Table of Contents

INDEX

	Page No.
<u>PART I.</u>	
<u>FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	
<u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets – September 28, 2014 and December 29, 2013</u>	2
<u>Condensed Consolidated Statements of Income – Three and Nine Months Ended September 28, 2014 and September 29, 2013</u>	3
<u>Consolidated Statements of Comprehensive Income – Three and Nine Months Ended September 28, 2014 and September 29, 2013</u>	4
<u>Consolidated Statements of Cash Flows – Nine Months Ended September 28, 2014 and September 29, 2013</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
<u>Item 2.</u>	
<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	25
<u>Item 4.</u>	
<u>Controls and Procedures</u>	26
<u>PART II.</u>	
<u>OTHER INFORMATION</u>	
<u>Item 1.</u>	
<u>Legal Proceedings</u>	26
<u>Item 1A.</u>	
<u>Risk Factors</u>	27
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
<u>Item 6.</u>	
<u>Exhibits</u>	28

Table of Contents**PART 1. FINANCIAL INFORMATION****Item 1. Financial Statements****Papa John's International, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets**

(In thousands, except per share amounts)	September 28, 2014 (Unaudited)	December 29, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,148	\$ 13,670
Accounts receivable, net	57,262	53,203
Notes receivable, net	6,064	3,566
Inventories	34,428	23,035
Deferred income taxes	6,924	8,004
Prepaid expenses	11,881	14,336
Other current assets	9,815	9,226
Total current assets	143,522	125,040
Property and equipment, net	218,453	212,097
Notes receivable, less current portion, net	12,359	13,239
Goodwill	82,689	79,391
Other assets	35,158	34,524
Total assets	\$ 492,181	\$ 464,291
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 34,273	\$ 35,653
Income and other taxes payable	10,837	4,401
Accrued expenses and other current liabilities	52,866	57,807
Total current liabilities	97,976	97,861
Deferred revenue	4,887	5,827
Long-term debt	224,684	157,900
Deferred income taxes	12,604	14,660
Other long-term liabilities	39,180	42,835
Total liabilities	379,331	319,083
Redeemable noncontrolling interests	8,970	7,024
Stockholders' equity:		
Preferred stock (\$0.01 par value per share; no shares issued)		
Common stock (\$0.01 par value per share; issued 43,236 at September 28, 2014 and 42,796 at December 29, 2013)	432	428
Additional paid-in capital	144,022	137,552
Accumulated other comprehensive income	2,173	2,463
Retained earnings	77,268	41,297
	(132,545)	(44,066)

Edgar Filing: PAPA JOHNS INTERNATIONAL INC - Form 10-Q

Treasury stock (3,050 shares at September 28, 2014 and 1,129 shares at December 29, 2013, at cost)				
Total stockholders' equity, net of noncontrolling interests		91,350		137,674
Noncontrolling interests in subsidiaries		12,530		510
Total stockholders' equity		103,880		138,184
Total liabilities, redeemable noncontrolling interests and stockholders' equity	\$	492,181	\$	464,291

See accompanying notes.

Table of Contents**Papa John's International, Inc. and Subsidiaries****Condensed Consolidated Statements of Income****(Unaudited)**

(In thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
North America revenues:				
Domestic Company-owned restaurant sales	\$ 169,076	\$ 152,662	\$ 517,269	\$ 465,713
Franchise royalties	22,131	19,419	65,728	60,382
Franchise and development fees	217	263	493	1,028
Domestic commissary sales	149,224	138,044	463,852	421,941
Other sales	23,359	13,566	49,704	38,617
International revenues:				
Royalties and franchise and development fees	6,673	5,454	18,769	15,912
Restaurant and commissary sales	19,719	16,934	56,825	47,539
Total revenues	390,399	346,342	1,172,640	1,051,132
Costs and expenses:				
Domestic Company-owned restaurant expenses:				
Cost of sales	42,460	38,233	129,646	113,131
Salaries and benefits	45,835	41,701	139,223	127,026
Advertising and related costs	15,369	14,424	46,979	43,894
Occupancy costs	10,344	9,583	29,101	27,233
Other restaurant operating expenses	25,343	23,061	75,850	68,237
Total domestic Company-owned restaurant expenses	139,351	127,002	420,799	379,521
Domestic commissary expenses:				
Cost of sales	116,908	107,930	364,302	326,529
Salaries and benefits	7,208	6,173	21,079	18,273
Other commissary operating expenses	15,013	15,262	47,083	45,908
Total domestic commissary expenses	139,129	129,365	432,464	390,710
Other operating expenses	22,794	12,510	47,446	35,094
International restaurant and commissary expenses	16,605	14,372	47,366	40,008
General and administrative expenses	33,671	31,780	104,199	98,064
Other general expenses	3,143	1,260	6,640	4,042
Depreciation and amortization	10,520	8,605	29,539	25,672
Total costs and expenses	365,213	324,894	1,088,453	973,111
Operating income	25,186	21,448	84,187	78,021
Net interest (expense) income	(968)	(185)	(2,323)	147
Income before income taxes	24,218	21,263	81,864	78,168
Income tax expense	7,256	6,385	26,522	24,926
Net income before attribution to noncontrolling interests	16,962	14,878	55,342	53,242
Income attributable to noncontrolling interests	(887)	(602)	(3,208)	(2,510)
Net income attributable to the Company	\$ 16,075	\$ 14,276	\$ 52,134	\$ 50,732
Calculation of income for earnings per share:				
Net income attributable to the Company	\$ 16,075	\$ 14,276	\$ 52,134	\$ 50,732
Increase in noncontrolling interest redemption value	(42)		(81)	
Net income attributable to participating securities	(77)		(295)	
Net income attributable to common shareholders	\$ 15,956	\$ 14,276	\$ 51,758	\$ 50,732
Basic earnings per common share	\$ 0.39	\$ 0.33	\$ 1.25	\$ 1.16

Edgar Filing: PAPA JOHNS INTERNATIONAL INC - Form 10-Q

Diluted earnings per common share	\$	0.39	\$	0.32	\$	1.23	\$	1.13
Basic weighted average common shares outstanding		40,739		43,182		41,248		43,710
Diluted weighted average common shares outstanding		41,386		44,168		42,021		44,762
Dividends declared per common share	\$	0.14	\$	0.125	\$	0.39	\$	0.375

See accompanying notes.

Table of Contents**Papa John's International, Inc. and Subsidiaries****Consolidated Statements of Comprehensive Income****(Unaudited)**

(In thousands)	Three Months Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
Net income before attribution to noncontrolling interests	\$ 16,962	\$ 14,878	\$ 55,342	\$ 53,242
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustments	(1,634)	1,980	(708)	259
Interest rate swaps (1)	694	(529)	247	(456)
Other comprehensive income (loss), before tax	(940)	1,451	(461)	(197)
Income tax effect:				
Foreign currency translation adjustments	605	(733)	262	(96)
Interest rate swaps (2)	(256)	196	(91)	169
Income tax effect	349	(537)	171	73
Other comprehensive income (loss), net of tax	(591)	914	(290)	(124)
Comprehensive income before attribution to noncontrolling interests	16,371	15,792	55,052	53,118
Comprehensive income, redeemable noncontrolling interests	(724)	(602)	(3,066)	(2,510)
Comprehensive income, nonredeemable noncontrolling interests	(163)		(142)	
Comprehensive income attributable to the Company	\$ 15,484	\$ 15,190	\$ 51,844	\$ 50,608

(1) Amounts reclassified out of accumulated other comprehensive income (AOCI) into net interest (expense) income included \$250 and \$749 for the three and nine months ended September 28, 2014, respectively and \$165 and \$254 for the three and nine months ended September 29, 2013, respectively.

(2) The income tax effects of amounts reclassified out of AOCI into net interest (expense) income were \$92 and \$277 for the three and nine months ended September 28, 2014, respectively and \$61 and \$94 for the three and nine months ended September 29, 2013, respectively.

See accompanying notes.

Table of Contents**Papa John's International, Inc. and Subsidiaries****Consolidated Statements of Cash Flows****(Unaudited)**

(In thousands)	Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013
Operating activities		
Net income before attribution to noncontrolling interests	\$ 55,342	\$ 53,242
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for uncollectible accounts and notes receivable	1,714	1,130
Depreciation and amortization	29,539	25,672
Deferred income taxes	7,687	6,994
Stock-based compensation expense	5,958	5,642
Excess tax benefit on equity awards	(8,493)	(4,108)
Other	3,916	1,260
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(6,861)	(4,666)
Inventories	(9,792)	(740)
Prepaid expenses	2,461	410
Other current assets	(313)	(129)
Other assets and liabilities	3,887	(3,254)
Accounts payable	(1,380)	1,457
Income and other taxes payable	6,434	(4,511)
Accrued expenses and other current liabilities	(5,163)	(3,217)
Deferred revenue	(110)	(349)
Net cash provided by operating activities	84,826	74,833
Investing activities		
Purchases of property and equipment	(37,700)	(38,537)
Loans issued	(5,221)	(3,830)
Repayments of loans issued	3,371	3,687
Acquisitions, net of cash acquired	(4,264)	
Other	25	324
Net cash used in investing activities	(43,789)	(38,356)
Financing activities		
Net proceeds on line of credit facility	66,784	31,742
Cash dividends paid	(16,119)	(5,414)
Excess tax benefit on equity awards	8,493	4,108
Tax payments for equity award issuances	(7,540)	(1,862)
Proceeds from exercise of stock options	4,752	4,193
Acquisition of Company common stock	(94,152)	(69,137)
Contributions from noncontrolling interest holders	1,086	850
Distributions to noncontrolling interest holders	(1,200)	(3,200)
Other	423	(501)
Net cash used in financing activities	(37,473)	(39,221)
Effect of exchange rate changes on cash and cash equivalents	(86)	37
Change in cash and cash equivalents	3,478	(2,707)
Cash and cash equivalents at beginning of period	13,670	16,396
Cash and cash equivalents at end of period	\$ 17,148	\$ 13,689

See accompanying notes.

Table of Contents

Papa John's International, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

September 28, 2014

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Operating results for the nine months ended September 28, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ended December 28, 2014. For further information, refer to the consolidated financial statements and footnotes thereto included in the Annual Report on Form 10-K for Papa John's International, Inc. (referred to as the Company, Papa John's or in the first person notations of we, us and our) for the year ended December 29, 2013.

2. Significant Accounting Policies

Reclassifications

Certain prior year amounts in the condensed consolidated statements of income have been reclassified to conform to the current year presentation, which had no effect on current or previously reported net income.

Noncontrolling Interests

Papa John's has joint ventures in which there are noncontrolling interests, including the following as of September 28, 2014 and September 29, 2013:

Number of Restaurants	Restaurant Locations	Papa John's Ownership	Noncontrolling Interest Ownership
----------------------------------	-----------------------------	----------------------------------	--

Edgar Filing: PAPA JOHNS INTERNATIONAL INC - Form 10-Q

September 28, 2014

Star Papa, LP	82	Texas	51%	49%
Colonel s Limited, LLC	56	Maryland and Virginia	70%	30%
PJ Minnesota, LLC	34	Minnesota	70%	30%
PJ Denver, LLC	25	Colorado	60%	40%

September 29, 2013

Star Papa, LP	78	Texas	51%	49%
Colonel s Limited, LLC	52	Maryland and Virginia	70%	30%
PJ Minnesota, LLC	31	Minnesota	80%	20%
PJ Denver, LLC	25	Colorado	60%	40%

The noncontrolling interest holder s ownership in PJ Minnesota, LLC increased from 20% to 30% during the third quarter of 2014 upon exercise of an option to acquire an additional 10% interest in the joint venture from the Company.

We are required to report consolidated net income at amounts attributable to the Company and the noncontrolling interests. Additionally, disclosures are required to clearly identify and distinguish between the interests of the Company and the interests of the noncontrolling owners, including a disclosure on the face of the condensed consolidated statements of income attributable to the noncontrolling interest holder.

Edgar Filing: PAPA JOHNS INTERNATIONAL INC - Form 10-Q

Table of Contents

The income before income taxes attributable to the joint ventures for the three and nine months ended September 28, 2014 and September 29, 2013 was as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
Papa John's International, Inc.	\$ 1,387	\$ 805	\$ 4,979	\$ 3,597
Noncontrolling interests	887	602	3,208	2,510
Total income before income taxes	\$ 2,274	\$ 1,407	\$ 8,187	\$ 6,107

The following summarizes the redemption feature, location within the condensed consolidated balance sheets and the value at which the noncontrolling interests are recorded for each joint venture as of September 28, 2014:

Joint Venture	Redemption Feature	Location within the Condensed Consolidated Balance Sheets	Recorded Value
Star Papa, LP	Redeemable	Temporary equity	Carrying value
PJ Denver, LLC	Redeemable	Temporary equity	Redemption value
Colonel's Limited, LLC	No redemption feature	Permanent equity	Carrying value
PJ Minnesota, LLC	No redemption feature	Permanent equity	Carrying value

The noncontrolling interest holders of two joint ventures have the option to require the Company to purchase their interests. Since redemption of the noncontrolling interests is outside of the Company's control, the noncontrolling interests are presented in the caption "Redeemable noncontrolling interests" in the condensed consolidated balance sheets and include the following joint ventures:

- The Star Papa, LP agreement contains a redemption feature that is not currently redeemable, but it is probable to become redeemable in the future. Due to specific valuation provisions contained in the agreement, this noncontrolling interest has been recorded at its carrying value.
- The PJ Denver, LLC agreement contains a redemption feature that is currently redeemable and, therefore, this noncontrolling interest has been recorded at its current redemption value. The change in redemption value is recorded as an adjustment to "Redeemable noncontrolling interests" and "Retained earnings" in the condensed consolidated balance sheets.

The following summarizes changes in these redeemable noncontrolling interests (in thousands):

Balance at December 29, 2013	\$ 7,024
Net income	1,865

Edgar Filing: PAPA JOHNS INTERNATIONAL INC - Form 10-Q

Change in redemption value		81
Balance at September 28, 2014	\$	8,970

Through August 24, 2014, the Colonel's Limited, LLC agreement contained a mandatory redemption clause and, accordingly, the Company recorded this noncontrolling interest as a liability at its redemption value in other long-term liabilities. The redemption value was adjusted at each reporting date and any change was recorded in interest expense. In the current quarter, the mandatory redemption clause was removed via a contract amendment to the operating agreement. Upon the removal of this redemption feature, the noncontrolling interest for Colonel's Limited, LLC was reclassified from other long-term liabilities to stockholders' equity at the recorded amount, which approximated fair value, with no impact to income before income taxes. At September 28, 2014, the noncontrolling interest was recorded in stockholders' equity at a carrying value of \$11.5 million and was

Table of Contents

recorded at a redemption value of \$10.8 million in other long-term liabilities at December 29, 2013. Future changes in the carrying value will be recorded in stockholders' equity.

We recorded interest income of \$25,000 through the date of the contract amendment in the third quarter of 2014 and \$374,000 in the third quarter of 2013, and interest income of \$4,000 and \$1.1 million in the first nine months of 2014 and 2013, respectively.

Deferred Income Tax Accounts and Tax Reserves

We are subject to income taxes in the United States and several foreign jurisdictions. Significant judgment is required in determining our provision for income taxes and the related assets and liabilities. The provision for income taxes includes income taxes paid, currently payable or receivable and those deferred. We use an estimated annual effective rate based on expected annual income to determine our quarterly provision for income taxes. Discrete items are recorded in the quarter in which they occur.

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences reverse. Deferred tax assets are also recognized for the estimated future effects of tax loss carryforwards. The effect on deferred taxes of changes in tax rates is recognized in the period in which the new tax is enacted. As a result, our effective tax rate may fluctuate. Valuation allowances are established when necessary on a jurisdictional basis to reduce deferred tax assets to the amounts we expect to realize. As of September 28, 2014, we had a net deferred tax liability of approximately \$5.7 million.

Tax authorities periodically audit the Company. We record reserves and related interest and penalties for identified exposures as income tax expense. We evaluate these issues on a quarterly basis to adjust for events, such as statute of limitations expirations, court rulings or audit settlements, which may impact our ultimate payment for such exposures.

Fair Value Measurements and Disclosures

The Company is required to determine the fair value of financial assets and liabilities based on the price that would be received to sell the asset or paid to transfer the liability to a market participant. Fair value is a market-based measurement, not an entity specific measurement. The fair value of certain assets and liabilities approximates carrying value because of the short-term nature of the accounts, including cash, accounts receivable and accounts payable. The carrying value of our notes receivable net of allowances also approximates fair value. The fair value of the amount outstanding under our revolving credit facility approximates its carrying value due to its variable market-based interest rate. These assets and liabilities are categorized as Level 1 as defined below.

Certain assets and liabilities are measured at fair value on a recurring basis and are required to be classified and disclosed in one of the following categories:

Edgar Filing: PAPA JOHNS INTERNATIONAL INC - Form 10-Q

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

Edgar Filing: PAPA JOHNS INTERNATIONAL INC - Form 10-Q

Table of Contents

Our financial assets and liabilities that were measured at fair value on a recurring basis as of September 28, 2014 and December 29, 2013 are as follows (in thousands):

	Carrying Value	Level 1	Fair Value Measurements		Level 3
			Level 2		
<u>September 28, 2014</u>					
Financial assets:					
Cash surrender value of life insurance policies					
(a)	\$ 17,814	\$ 17,814		\$	\$
Interest rate swap (b)	218		218		
Financial liabilities:					
Interest rate swap (b)	75		75		
<u>December 29, 2013</u>					
Financial assets:					
Cash surrender value of life insurance policies					
(a)	\$ 16,798	\$ 16,798		\$	\$
Financial liabilities:					
Interest rate swap (b)	76		76		

(a) Represents life insurance policies held in our non-qualified deferred compensation plan.

(b) The fair values of our interest rate swaps are based on the sum of all future net present value cash flows. The future cash flows are derived based on the terms of our interest rate swaps, as well as considering published discount factors, and projected London Interbank Offered Rates (LIBOR).

There were no transfers among levels within the fair value hierarchy during the nine months ended September 28, 2014.

Variable Interest Entities

Papa John's domestic restaurants, both Company-owned and franchised, participate in Papa John's Marketing Fund, Inc. (PJMF), a nonstock corporation designed to operate at break-even for the purpose of designing and administering advertising and promotional programs for all participating domestic restaurants. PJMF is a variable interest entity as it does not have sufficient equity to fund its operations without ongoing financial support and contributions from its members. Based on the ownership and governance structure and operating procedures of PJMF, we have determined that we do not have the power to direct the most significant activities of PJMF and therefore are not the primary beneficiary. Accordingly, we determined that consolidation is not appropriate.

Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board issued *Revenue from Contracts with Customers* (Accounting Standards update 2014-09), a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under GAAP. This update requires companies to recognize revenue at amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services at the time of transfer. In doing so, companies will need to use more judgment and make more estimates than under today's guidance. Such estimates may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. Companies can either apply a full retrospective adoption or a modified retrospective adoption.

We are required to adopt the new requirements in the first quarter of 2017. We are currently evaluating the method of adoption and its impact of the new requirements on our consolidated financial statements. We currently do not believe the impact will be significant.

Table of Contents

3. Stockholders Equity

In the fourth quarter of 2013, we completed a two-for-one stock split of our outstanding shares of common stock in the form of a stock dividend. The stock dividend was distributed on December 27, 2013 with approximately 21.0 million shares of common stock distributed. In conjunction with the stock split, we also retired shares held in treasury. The per-share and share amounts for 2013 in the accompanying condensed consolidated financial statements and notes to the financial statements have been adjusted to reflect the stock split.

4. Calculation of Earnings Per Share

We compute earnings per share using the two-class method. The two-class method requires an earnings allocation formula that determines earnings per share for common shareholders and participating security holders according to dividends declared and participating rights in undistributed earnings. We consider time-based restricted stock awards to be participating securities because holders of such shares have non-forfeitable dividend rights. Under the two-class method, undistributed earnings allocated to participating securities are subtracted from net income attributable to the Company in determining net income attributable to common shareholders.

Additionally, in accordance with Accounting Standards Codification (ASC) 480, *Distinguishing Liabilities from Equity*, the increase in the redemption value for the noncontrolling interest of PJ Denver, LLC reduces income attributable to common shareholders.

The calculations of basic and diluted earnings per common share are as follows (in thousands, except per-share data):

	Three Months Ended		Nine Months Ended	
	Sept. 28, 2014	Sept. 29, 2013	Sept. 28, 2014	Sept. 29, 2013
Basic earnings per common share:				