

Papa Murphy's Holdings, Inc.
Form S-1
March 11, 2014
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As filed with the Securities and Exchange Commission on March 11, 2014

Registration No. 333-

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

FORM S-1
REGISTRATION STATEMENT UNDER THE
SECURITIES ACT OF 1933

Papa Murphy s Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	5812	27-2349094
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number) 8000 NE Parkway Drive, Suite 350 Vancouver, WA 98662 (360) 260-7272	(IRS Employer Identification No.)

(Address, including zip code and telephone number, including area code, of registrant s principal executive offices)

Papa Murphy s Holdings, Inc.
8000 NE Parkway Drive, Suite 350
Vancouver, WA 98662
(360) 260-7272

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(Name, address, including zip code and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, or the Securities Act, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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 "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer " Accelerated filer " Non-accelerated filer x Smaller reporting company "

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE ⁽¹⁾	AMOUNT OF REGISTRATION FEE
Common Stock, par value \$0.01 per share	\$70,000,000	\$9,016

⁽¹⁾ Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) promulgated under the Securities Act. Includes shares of common stock that may be issuable upon exercise of an option to purchase additional shares granted to the underwriters.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion Dated March 11, 2014

PRELIMINARY PROSPECTUS

Shares

Papa Murphy's Holdings, Inc.

Common Stock

This is an initial public offering of shares of common stock of Papa Murphy's Holdings, Inc. We are offering _____ shares of our common stock. The selling stockholders identified in this prospectus are offering an additional _____ shares. We will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders. This is our initial public offering and no public market currently exists for our common stock. We expect our initial public offering price will be between \$ _____ and \$ _____ per share. We have applied to list our common stock on The NASDAQ Global Select Market (NASDAQ) under the symbol FRSH .

We are an emerging growth company as defined under the federal securities laws and, as such, will be subject to reduced public company reporting requirements. See Prospectus Summary Implication of Being an Emerging Growth Company .

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 20.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	PER SHARE	TOTAL
Public Offering Price	\$ _____	\$ _____
Discounts and Commissions ⁽¹⁾	\$ _____	\$ _____
Proceeds, before expenses, to us	\$ _____	\$ _____
Proceeds, before expenses, to the selling stockholders	\$ _____	\$ _____

⁽¹⁾ We refer you to Underwriting beginning on page 133 of this prospectus for additional information regarding total underwriter compensation. Delivery of the shares of common stock is expected to be made on or about _____, 2014. The selling stockholders have granted the underwriters an option for a period of 30 days from the date of this prospectus to purchase an additional _____ shares of our common stock to cover over-allotments. We will not receive any proceeds from the sale of shares by the selling stockholders.

Jefferies

Baird

Wells Fargo Securities

William Blair

Raymond James
Prospectus dated _____, 2014

Stephens Inc.

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You should rely only on the information contained in this prospectus or in any free-writing prospectus we may authorize to be delivered or made available to you. Neither we, the selling stockholders, nor the underwriters (or any of our or their respective affiliates) have authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. Neither we, the selling stockholders, nor the underwriters (or any of our or their respective affiliates) take any responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We, the selling stockholders and the underwriters (or any of our or their respective affiliates), are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is only accurate as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

TRADEMARKS AND TRADE NAMES

We own or have the rights to use various trademarks, service marks and trade names referred to in this prospectus, including, among others, Papa Murphy's, Papa Murphy's Take 'N' Bake Pizza, deLite and their respective logos. Solely for convenience, we refer to trademarks, service marks and trade names in this prospectus without the TM, SM and ® symbols. Such references are not intended to indicate, in any way, that we will not assert, to the fullest extent permitted by law, our rights to our trademarks, service marks and trade names. Other trademarks, trade names or service marks appearing in this prospectus are the property of their respective owners. As indicated in this prospectus, we have included market data and industry forecasts that were obtained from industry publications and other sources.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We prepare our consolidated financial statements in U.S. dollars and in conformity with generally accepted accounting principles in the United States (GAAP). Certain amounts included in this prospectus and our audited consolidated financial statements as of and for fiscal years ended December 30, 2013, December 31, 2012 and January 2, 2012 have been rounded for ease of presentation. Percentage amounts included in this prospectus have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this prospectus may vary from those obtained by performing the same calculations using the figures in our consolidated financial statements. Certain other amounts that appear in this prospectus may not sum due to rounding.

On May 4, 2010, affiliates of Lee Equity Partners, LLC (Lee Equity) acquired a majority of the capital stock of PMI Holdings Inc., our predecessor. The periods on or prior to May 4, 2010 are referred to as Predecessor. Papa Murphy's Holdings, Inc. was incorporated on March 29, 2010 by affiliates of Lee Equity in connection with the acquisition, and all periods including and after such date are referred to as Successor. From March 29, 2010 to May 4, 2010, the date of the acquisition, Papa Murphy's Holdings, Inc. had no activities other than the incurrence of transaction costs related to the acquisition.

MARKET AND INDUSTRY INFORMATION

Market data used throughout this prospectus is based on management's knowledge of the industry and the good faith estimates of management. We also relied, to the extent available, upon management's review of independent industry surveys and publications and other publicly available information prepared by a number of sources, including *Zagat*, *Technomic*, *Nation's Restaurant News*, *NPD Crest*, *Mintel*, *Empathica*, *Franchise Business Review* and *Forbes*. All of the market data used in this prospectus involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Although we believe that these sources are reliable, neither we nor the underwriters can guarantee the accuracy or completeness of this information, and neither we nor the underwriters have independently verified this information. While we believe the estimated market position, market opportunity and market size information included in this prospectus is reliable, such information, which in part is derived from management's estimates and beliefs, is inherently uncertain and imprecise. Projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in Risk Factors and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates prepared by independent parties and by us.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including the risks of investing in our common stock discussed under Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this prospectus, before making an investment decision. Unless the context requires otherwise, references to Papa Murphy's, our company, we, us and our refer to Papa Murphy's Holdings, Inc. and its direct and indirect subsidiaries.

This prospectus contains consolidated financial statements of Papa Murphy's Holdings, Inc. To match our operating cycle, we use a 52- or 53-week fiscal year, ending on the Monday nearest to December 31. Fiscal years 2013, 2012 and 2011 were 52-week periods ending on December 30, 2013 (fiscal year 2013), December 31, 2012 (fiscal year 2012) and January 2, 2012 (fiscal year 2011), respectively.

Our Company

Create. Take. Bake.

Papa Murphy's is a high-growth franchisor and operator of the largest Take 'N Bake pizza chain in the United States. Take 'N Bake pizza restaurants sell uncooked pizzas that customers bake at home. We were founded in 1981 and have grown our footprint to a total of 1,418 franchise and company-owned stores (collectively system-wide stores) as of December 30, 2013, more than 20 times the stores of our nearest Take 'N Bake pizza restaurant competitor. The Papa Murphy's experience is different from traditional pizza restaurants. Our customers:

- n CREATE their fresh, customized pizza with high-quality ingredients in our stores or online;

- n TAKE their fresh pizza home; and

- n BAKE their pizza fresh in their ovens, at their convenience, for a home-cooked meal served hot.

We have been repeatedly rated the #1 pizza chain in the United States by multiple third-party consumer studies. In 2013, 2012 and 2011, we were rated the #1 pizza chain overall by *Nation's Restaurant News*, and in 2012, 2011 and 2010, we were rated the #1 pizza chain by *Zagat*. Compared to broader restaurant chain competition, we were also recognized by *Technomic* in 2013 as the #1 chain overall among all restaurants and all food categories, by *Nation's Restaurant News* in 2013 and 2012 as one of the Top 5 Overall limited service restaurant chains across all food categories, and by *Zagat* in 2012 as one of the Top 5 Overall fast food chains across all food categories. For fiscal years 2013 and 2012 we had total revenues of \$80.5 million and \$66.9 million, respectively, net income (loss) of \$(2.6) million and \$(2.1) million, respectively, and Adjusted EBITDA of \$24.4 million and \$22.1 million, respectively. For a reconciliation of Adjusted EBITDA, a non-GAAP measure, to net loss, see Summary Historical Consolidated Financial and other Data.

We believe our leading consumer ratings are due to the broad appeal of our concept. However, we actively target mothers and families looking to solve the dinnertime dilemma of providing their family with a high-quality, home-cooked meal, without investing significant time or money. We believe that our target customer values the focus on freshness and quality that differentiates the Papa Murphy's pizza-making process:

- n We make our dough fresh in each store, starting with flour, water and yeast;

- n We grate our cheese daily from blocks of 100% whole-milk mozzarella cheese;

- n We slice fresh, never-frozen vegetables by hand;

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n We feature specialty, premium ingredients like artichoke hearts, sun-dried tomatoes, feta cheese and fresh spinach;

n We use only high-quality meats with no added fillers; and

n We use no trans-fats.

Additionally, our guidelines provide that all pizza dough must be used to make pizzas within 72 hours of preparation, and we recommend our customers bake their pizza within 24 hours of preparation, resulting in a fresh pizza for our customers.

Our store model is also different from many other restaurant models. Because our stores do not have pizza ovens, venting hoods, freezers or dining areas and average 1,400 square feet in size, they require a lower capital investment than traditional pizza, limited service or fast casual restaurants. We also have lower operating costs than traditional pizza, limited service or fast casual restaurants because our stores do not require the hiring of delivery drivers or wait staff. Further, the simplicity of our operations and our shorter opening hours (typically 11:00 a.m. to 9:00 p.m.) are attractive to potential and current franchise owners and allow them to focus on making fresh, high-quality food for our customers.

As of December 30, 2013, our store base was 95.1% franchised, offering us strategic and financial benefits. Our franchise business model enables us to focus our company resources on menu innovation, marketing, franchise owner training and operations support and other initiatives to drive the overall success of our brand. Our franchise business model also allows us to grow our store base and brand awareness with limited corporate capital investment. As a result, our business model is designed to provide us with high operating margins, low capital expenditures, negative working capital and high operating cash flows.

As of December 30, 2013, we had 1,418 system-wide stores, consisting of 1,349 franchise and 69 company-owned stores, located in 38 states, Canada and the United Arab Emirates. We have increased our total store count 68.6% from 2004 to 2013. We currently have a strong new store pipeline and our franchise owners opened 98 stores in 2013, which represents a 27.3% increase in franchise store openings over the prior fiscal year. We have also experienced steady increases in our system-wide sales. From 2004 to 2013, our system-wide sales increased from \$385.9 million to \$785.6 million.

Total Stores at End of Period

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System-wide Sales

We have experienced strong comparable store sales, revenue and Adjusted EBITDA growth. Our stores have generated positive comparable store sales growth in 35 out of the last 40 quarters through the end of fiscal year 2013, averaging approximately 4% throughout the last ten years. From fiscal year 2009 to fiscal year 2013, our total revenues increased from \$54.1 million to \$80.5 million, and Adjusted EBITDA increased from \$16.5 million to \$24.4 million. In fiscal year 2009, we had net income of \$4.5 million compared to a net loss of \$(2.6) million in fiscal year 2013.

Our Industry

Take N Bake pizza is a fast-growing segment of the limited-service restaurant (LSR) pizza category. We are the market leader in the Take N Bake segment with more than 20 times the number of stores of our next closest Take N Bake competitor in the United States. In addition, we are the only national Take N Bake LSR pizza chain. We are the fifth largest pizza chain in the United States as measured by system-wide sales and total number of stores. *Mintel* estimates that the pizza restaurant market grew from \$32 billion in 2007 to \$38 billion in 2012 and will grow to \$44 billion in 2017. We believe the pizza restaurant market is an attractive category due to its size and growth, as well as its fragmented competitive landscape. The top five pizza chains accounted for only 40.8% of category sales in 2012, which provides the potential to take share from smaller pizza chains and independent pizza operators.

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Our Competitive Strengths

Fresh Made. Fresh Baked. Love at 425°.

We believe we benefit from the following competitive strengths:

High-Quality Pizza at an Attractive Value. We were founded on the following core values – Great Quality, Great Value, Great Customer Service – and we strive to deliver on these values every day. We believe the manner in which we deliver these values to our customers provides a strong foundation for growth.

- n **Great Quality.** We have continually focused on quality over the past 33 years, and we believe customers can taste the difference in our food. Unlike some of our national pizza chain competitors, we do not use frozen dough or pre-shredded, pre-packaged or frozen cheese. Our dough is made from scratch daily, and our pizzas are made with high-quality ingredients, including: (i) 100% whole-milk block mozzarella cheese grated in-store; (ii) a variety of sauces including traditional red sauce made from California tomatoes; (iii) fresh, never-frozen vegetables that are chopped by hand daily; (iv) high-quality meat with no added fillers; and (v) specialty toppings such as artichoke hearts, feta cheese, Italian salami, zucchini, sun-dried tomatoes and fresh spinach. Our menu offers customers a variety of original, thin crust and stuffed pizzas as well as the ability to create a customized pizza from a broad selection of crust, sauce and topping combinations. We were ranked #1 in Food Quality, Freshness of Food and Taste and Flavor of Food in numerous customer surveys, including *Nation's Restaurant News* in 2013, 2012 and 2011, *Technomic* in 2013 and *NPD CREST* in 2012, 2011 and 2010.
- n **Great Value.** We offer a high-quality pizza at a value price point. We were ranked #1 in the pizza value category by *Nation's Restaurant News* in 2013, 2012 and 2011, and we were ranked the #1 limited service restaurant chain for value by *Technomic* in 2013. In 2013, our average transaction size was approximately \$16, but because our pizzas serve more than one person, our average check per person was \$5.39. We believe this is one of the lowest average checks per person among national pizza chains. Additionally, the Take N Bake experience eliminates the need for tipping and delivery fees.
- n **Great Customer Service.** We offer our customers a consistent and convenient experience where they are able to create their customized pizza. We train our store crews to greet each customer, to promote the latest new product offers or promotions and to assist each customer in choosing the combination of fresh made pizzas or side items that complete their meal. Our pizzas are made fresh, and our customers can follow their pizza as it is made to order right in front of them. While we do offer pizzas with suggested pre-selected toppings, many pizzas sold in our stores are customized. We provide a fast and friendly in-store experience, with an average in-store service time of approximately four minutes. We were ranked #1 among all pizza chains in Fast and Efficient Service, Cleanliness, Likelihood to Return and Overall Customer Experience by numerous customer surveys including *Nation's Restaurant News* in 2013, 2012 and 2011, *Technomic* in 2013, *NPD CREST* in 2012, 2011 and 2010 and *Empathica* in 2013.

Top-Rated, Award-Winning Pizza Chain. We have consistently been rated consumers' #1 pizza chain and ranked among the top restaurant chains overall in the United States in third-party consumer studies.

- n *Zagat National Restaurant Chain Survey*

#1 Rated Pizza Chain in 2012, 2011 and 2010

Top 5 U.S. Fast Food Chain (all fast food categories, less than 5,000 locations) in 2012 (#2 Top Service and Top Food), 2011 (#3 Top Service and Top Food) and 2010 (#4 Overall)

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n *Technomic 2013 Consumer Restaurant Brand Metrics Study*

#1 Chain Overall, among all restaurants and food categories surveyed

#1 Pizza/Italian Chain

n *Nation's Restaurant News Consumer Picks Survey*

#1 Pizza/Italian Chain in 2013, 2012 and 2011 (including the #1 ranking in 2013 and 2012 in 10 out of 11 categories such as Food Quality, Value, Service, Likely to Recommend and Likely to Return)

Top Overall Limited Services Restaurant Chain in 2013 (#3), 2012 (#2) and 2011 (#1)

n *NPD CREST Customer Survey*

#1 Pizza Chain in 2012, 2011 and 2010 in (i) Taste and Flavor of Food; (ii) Quality of Food; (iii) Freshness of Food; (iv) Fast and Efficient Service; (v) Likelihood to Recommend; and (vi) Overall Customer Experience

n *Empathica 2013 Quick Service Restaurant Benchmark Study*

#1 Pizza/Pasta Chain in (i) Overall Customer Delight; (ii) Overall Customer Satisfaction; (iii) Good Value for What Customers Paid; (iv) Customer Likelihood to Revisit; and (v) Customer Likelihood to Recommend

Top Carryout Pizza Chain

Loyal Customer Base. We have developed a loyal and diverse customer base that values (i) our ability to create a fresh, customized pizza; (ii) our high-quality ingredients; (iii) our fast and friendly in-store service; (iv) our bake-at-home convenience; and (v) our attractive price points. We believe our leading consumer ratings and success across a national footprint can be attributed to the broad appeal of our Take N Bake concept, which resonates with both families and single adults and attracts both female and male customers across all ages, demographics and income levels. While we believe our concept has broad appeal, we actively target mothers and families looking to solve the dinnertime dilemma of providing a fresh, home-cooked meal for their family without investing significant time or money. We believe this core target customer is more loyal and seeks higher-quality pizza. As shown in research conducted by *Nation's Restaurant News*, our customers are significantly more likely to recommend Papa Murphy's as well as more likely to return to Papa Murphy's stores than our competitors.

2013 Likely To Recommend

2013 Likely To Return

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Franchised Business Model Provides Platform for Growth. As of December 30, 2013, our store base was 95.1% franchised, allowing us to focus on brand differentiation and product innovation while our franchise owners are responsible for day-to-day management with operational guidance from us. The growth of our brand requires limited financial investment by us, given that new store development and substantially all of our store advertising costs are funded by franchise owners. Consequently, our business model is designed to generate significant operating cash flows and an attractive return on assets. As a franchised model, we generate a significant portion of our revenues from ongoing royalties based on a percentage of net sales at franchise stores and fees paid to us by franchise owners opening new stores and renewing expiring franchise agreements, which collectively represented 51.2% of our total revenues for 2013. These royalties and fees provide us with consistent and diverse cash flow. Further, our franchise model minimizes our direct exposure to changes in commodity and other operating costs that may impact our company-owned stores, which represented 48.6% of our total revenues in 2013.

We were named a Top Food Franchise by Franchise Business Review in 2013, and we have received high marks in the publication's annual franchise satisfaction survey. We strive to be the partner of choice for both individual family owner/operators and sophisticated franchise organizations because we understand that our franchise owners ultimately drive the success of our business. Additionally, our concept provides franchise owners access to financing sources, including loans guaranteed by the Small Business Administration (SBA).

Efficient Operating Model Generates Attractive Store-Level Economics. We believe our Take N Bake model is efficient and offers franchise owners operating advantages that differentiate us from other restaurant concepts. Our stores (i) do not require ovens, freezers or other expensive cooking equipment because our customers bake their customized pizzas at home; (ii) do not offer delivery, thereby reducing operational complexity for franchise owners and their employees; (iii) maintain shorter opening hours (typically 11:00 a.m. to 9:00 p.m.) that are attractive to franchise owners and their employees; (iv) require fewer employees on duty during each shift as compared to most other franchise restaurant concepts, thereby resulting in lower labor costs; and (v) do not require dining areas, thereby resulting in lower occupancy and operating costs. We believe our simple, low cost operations create the opportunity for higher margins and attractive returns for franchise owners. In 2011, we were named to Forbes' list of Top Franchises for the Money, which we believe highlights the attractive investment opportunity we offer franchise owners.

As of December 30, 2013, a majority of our franchise owners owned one store, and approximately 75% owned one or two stores. We believe many of these owners operate and manage their stores themselves. For fiscal year 2012, our domestic franchise stores that had been open for at least one full year generated average weekly sales (AWS) of approximately \$11,100 and generated a store-level EBITDA margin in excess of 15% after royalties and advertising but before the impact of manager/owner salary. Additionally, our stores have a low breakeven AWS, which we estimate to be less than half the system average. Our operating model requires a low initial capital expenditure on average of approximately \$200,000 per store. In the first full fiscal year after a store has been open, we believe that our franchise owners can earn, on average, a cash-on-cash return of approximately 20% after royalties and advertising but before the impact of manager/owner salary. We believe the combination of our efficient operating model, low initial cash investment and attractive store economics has resulted in our ability to generate consistent new store growth from both new and existing franchise owners, as evidenced by over 570 net new store openings since 2004.

Experienced Management Team. Our strategic vision and culture are driven by our executive management team under the leadership of Mr. Ken Calwell, our Chief Executive Officer, Mr. Mark Hutchens, our Chief Financial Officer and Mr. John Barr, our Chairman. Mr. Calwell is an industry veteran with more than 28 years of relevant restaurant and food experience, including roles as the Chief Marketing Officer and Chief Food Innovation Officer at Wendy's International, Chief Marketing Officer and Executive Vice President of Research Development at Domino's Pizza and Senior Director of Marketing at Pizza Hut. Mr. Hutchens has nearly 25 years of progressive financial leadership experience, with an extensive history in the restaurant and retail sector, including roles as the Vice President, Chief Financial Officer International at Bloomin' Brands Inc., Senior Vice President,

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Controller and Chief Accounting Officer at Office Depot, Inc. and Assistant Treasurer - Corporate Finance at YUM! Brands, Inc. Our executive management team has over 140 years of combined operational experience at restaurant chains, franchisors and large corporations including Domino's Pizza, Donatos, McDonald's, Pizza Hut, Potbelly Sandwich Works, Starbucks, Wendy's, Penske and Quaker State. Our executive management team has a deep understanding of our concept, averaging approximately seven years with our Company. Mr. Calwell and Mr. Barr have built a team with significant talent in new product development, brand marketing, franchise development and operations, which we believe positions us well for continued long-term growth.

Our Growth Strategies

Our growth strategy has three key components: (i) opening new stores in existing and new markets; (ii) increasing system-wide comparable store sales; and (iii) improving our profitability by leveraging our scale and infrastructure. We believe that the successful implementation of these three components will support our growth and profitability.

Open Stores in Existing and New Markets. As of December 30, 2013, we had 1,396 stores in the United States, and we believe there are significant development opportunities remaining in the United States and select international markets. We estimate our total store potential in the United States is approximately 4,500 stores, including approximately 2,500 new stores in our existing markets.

We believe our significant unit growth potential, attractive store economics and the simplicity of our store operations will continue to attract new franchise owners and encourage existing franchise owners to expand their current footprint. We expect the majority of our expansion will result from new franchise store openings, and we also plan to strategically expand our company-owned store base in select markets. Our franchise owners opened 98 stores in 2013. We expect our franchise owners to open between 105 and 115 stores in 2014. Our new store strategy consists of the following:

- n ***Accelerate Growth in Existing Markets.*** We believe there is a significant near-term growth opportunity in our existing markets. We intend to focus on further developing our core markets in the West and Midwest, while expanding our store density in existing but less-penetrated developing markets in the South and East. Historically, new stores in existing markets tend to generate higher average unit volumes as markets become more penetrated. As a result, we expect to focus the majority of our near-term new store development in existing markets.

- n ***Pursue Growth in New Markets.*** We have historically proven our ability to expand into new markets as evidenced by the success of our stores in numerous markets across the United States. As we expand our footprint into new markets, we will continue to leverage our brand awareness and well-developed store support infrastructure to enhance new store performance and increase store density in these markets. Additionally, we are in the early stages of international expansion, which we believe represents a long-term growth opportunity. We currently have a 10-year master franchise agreement in Canada, with 18 stores open as of December 30, 2013, as well as a recent 20-year master franchise agreement to open up to 100 franchise stores in the Middle East, with four stores open as of December 30, 2013.

Increase System-wide Comparable Store Sales. We intend to increase comparable store sales by attracting new customers, converting first-time customers into repeat and loyal users and increasing average transaction sizes. While the short-term benefit of increasing comparable store sales is an increase in franchise royalties and company store revenues, it also provides the significant long-term benefit of improved franchise owner profitability, which we believe will contribute to future store growth.

- n ***Attract New Customers.*** We will continue to invest in our brand to further grow customer awareness, build customer loyalty and educate the marketplace on the benefits of Take 'N' Bake pizza. As our franchise store base continues to grow and we further penetrate our markets, we will be able to use increased marketing funds to expand our brand recognition through a combination of traditional print and television advertising and through social media.

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New product development is another tool for attracting customers to our stores. The recent roll-out of our Focus 5 menu strategy is designed to broaden our customer appeal by offering a variety of fresh, high-quality products utilizing our high-quality ingredients. Our Focus 5 menu strategy offers price points ranging from our FAVES line, generally marketed for \$5 per pizza, to our Stuffed line of pizzas, generally marketed for \$15 per pizza. Our FAVES line of pizzas consists of three simple pizza classics at attractive price points. We believe the introduction of this option has helped increase transactions and comparable store sales growth. Our recently tested Fresh Pan Pizza is a new product at a higher price point that features a fresh, thicker, buttery crust that attracts new customers who prefer a thicker pan-style crust. For a premium price, we also offer gourmet toppings not typically available at large pizza chains such as artichoke hearts, sun-dried tomatoes, feta cheese and fresh spinach. We believe this balanced approach to menu innovation attracts a broader base of customers, drives new customer trial and increases brand loyalty.

- n *Increase Customer Frequency.* We focus on converting first-time users into repeat customers and providing loyal customers with reasons to use our brand more frequently. We believe the high quality of our ingredients, our customizable menu and the opportunity for families to provide a home-cooked meal keep customers dedicated to our brand.

We believe that providing a fast and friendly in-store experience drives customer frequency. Our Take N Bake concept allows our employees to focus on providing personal service to every customer rather than rushing customer interactions or prioritizing incoming phone delivery orders. We also recently introduced online ordering, which will provide an additional convenience to our customers. In tests in approximately 300 stores in 2013, our online channel resulted in increases in customer frequency and average transaction size. We are also in the early stages of testing a store remodel program, which we believe will enhance our customer experience and drive customer frequency.

In addition, in the past we have made media investments to drive repeat visits with a focus on limited time only product offers and promotions. Recent offers and promotions such as our Taco Grande Pizza and Greek Pepperoni Pizza have generated strong customer interest, which we believe resulted in increases in transactions, the average transaction size and customer frequency.

- n *Increase Transaction Size.* Over the past year, we have focused our training and support teams on improving up-sell strategies to drive incremental revenue per transaction. Papa Murphy's features both large, 14" pizzas that serve two to three people and family size, 16" pizzas that serve four to six people. Our store crews are trained to upsell customers from the large to the family size approximately 30% more pizza for an incremental charge of approximately \$2, which we believe is a great value for the customer. We also present in-store messaging of meal deals where a customer can purchase a pizza with either a side item and two liter beverage or two side items for a bundle discount.

We are also leveraging our new product innovation capabilities to drive higher revenue per transaction. For example, our recently tested Fresh Pan Pizza is marketed at a price above our regular menu items, demonstrating the potential for increasing our average transaction size. We believe we have other pricing opportunities for gourmet products already found on our menu and plan to thoughtfully test opportunities to re-position these products to better align with customer value perceptions. We are also leveraging our supplier networks to help us expand our line of sides, salads and desserts.

Improve Profitability and Leverage Our Infrastructure. Through opening stores in existing and new markets and increasing system-wide comparable store sales, we believe we will increase our revenues and Adjusted EBITDA. With 1,396 stores across the United States and 548 domestic franchise owners as of December 30, 2013, we believe we have an established infrastructure to support future growth. Our teams located across the country provide support to our franchise owners in operations, store technology, marketing and new store development. Therefore, as we continue to grow our store base and increase sales, we believe our general and administrative expenses will increase at a lower rate than our revenues, and we will be able to realize certain benefits from economies of scale.

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Recent Developments

Project Pie Investment

In December 2013, we purchased preferred convertible units of Project Pie, LLC (*Project Pie*), a fast casual custom-pizza restaurant chain with one store located in San Diego, California and one located in Las Vegas, Nevada as of December 31, 2013, for an aggregate purchase price of \$2.0 million, representing approximately 25.8% of all issued and outstanding Project Pie common units on a fully converted basis. We retained certain rights and obligations in connection with our investment in Project Pie. For additional information, see *Management's Discuss and Analysis of Financial Condition and Results of Operations* *Project Pie* and *Certain Relationships and Related Person Transactions* *Project Pie*.

Reorganization Transactions

Prior to the completion of this offering, we intend to effect certain reorganization transactions consisting of (i) the automatic conversion of all of our outstanding Series A Preferred Stock and Series B Preferred Stock (together, the *Preferred Shares*) to _____ shares of common stock; (ii) a 1 for _____ stock split of our common stock; and (iii) the amendment and restatement of our certificate of incorporation. We refer to these transactions collectively as the *Reorganization Transactions*. Unless otherwise indicated, all information in this prospectus assumes the completion of our *Reorganization Transactions* in preparation of this offering. Except for pro forma data and as otherwise indicated, financial data does not give effect to the automatic conversion of our *Preferred Shares* for common stock in connection with this offering.

Our Private Equity Sponsor

Lee Equity is a middle-market private equity investment firm managing more than \$1 billion of equity capital. Lee Equity invests in a variety of industries including consumer/retail, business services, distribution/logistics, financial services, healthcare services and media. Immediately prior to this offering, Lee Equity and its affiliates owned approximately 65% of our outstanding capital stock. Immediately following the consummation of this offering, Lee Equity will own approximately _____ % of our outstanding capital stock, or _____ % if the underwriters' option to purchase additional shares is fully exercised. Lee Equity may acquire or hold interests in businesses that compete directly with us, or may pursue acquisition opportunities that are complementary to our business, making such acquisitions unavailable to us. In addition, upon completion of this offering, a majority of the directors serving on our board will have been designated by Lee Equity and under the terms of a new stockholder's agreement, Lee Equity will have the right to designate two directors to our board as long as it owns 20% or more of the issued and outstanding shares of our common stock and the right to designate one director to our board for as long as it owns 10% or more of our issued and outstanding common stock. Our amended and restated certificate of incorporation will contain provisions renouncing any interest or expectancy held by our directors affiliated with Lee Equity in certain corporate opportunities. In addition, so long as Lee Equity owns 25% or more of the outstanding shares of our common stock, under a new stockholder's agreement (as described herein), certain actions by us, including among others, certain change of control transactions, issuances of equity securities, the incurrence of significant indebtedness, declaration or payment of non-pro rata dividends, significant investments in or acquisitions or dispositions of assets, adoption of any new equity-based incentive plan, any material increase in the salary of our Chief Executive Officer, certain amendments to our organizational documents, any material change to our business, or any change to the number of directors serving on our board will require Lee Equity's prior written approval. See *Risk Factors* *Risks Related to Our Company and Our Ownership Structure* Lee Equity may acquire interests and positions that could present potential conflicts with our and our stockholders' interests, *Risk Factors* *Risks Related to Our Company and Our Ownership Structure* Lee Equity will continue to have significant influence over us after this offering, which could limit your ability to influence the outcome of key transactions, including change of control, *Certain Relationships and Related Person Transactions* *Agreements Related to the Acquisition by Lee Equity* *Existing Stockholders' Agreement and Registration Rights Provisions* and *Certain Relationships and Related Person Transactions* *Agreements Related to the Acquisition by Lee Equity* *New Stockholder's Agreement*.

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Implication of Being an Emerging Growth Company

As a company with less than \$1.0 billion in revenues during its last fiscal year, we qualify as an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other regulatory requirements for up to five years that are otherwise applicable generally to public companies. These provisions include, among other matters:

- n a requirement to present only two years of audited financial statements and only two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations;
- n exemption from the auditor attestation requirement on the effectiveness of our system of internal control over financial reporting;
- n exemption from the adoption of new or revised financial accounting standards until they would apply to private companies;
- n exemption from compliance with any new requirements adopted by the Public Company Accounting Oversight Board requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer;
- n an exemption from the requirement to seek non-binding advisory votes on executive compensation and golden parachute arrangements; and
- n reduced disclosure about executive compensation arrangements.

We will remain an emerging growth company for five years unless, prior to that time, we have more than \$1.0 billion in annual revenues, have a market value for our common stock held by non-affiliates of more than \$700 million as of June 30 of the year a determination is made whether we are deemed to be a large accelerated filer, as defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), or issue more than \$1.0 billion of non-convertible debt over a three-year period. We have availed ourselves of the reduced reporting obligations and executive compensation disclosure in this prospectus, and expect to continue to avail ourselves of the reduced reporting obligations available to emerging growth companies in future filings. In addition, an emerging growth company can delay its adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to opt out of such extended transition period, and as a result, we plan to comply with any new or revised accounting standards on the relevant dates on which non-emerging growth companies must adopt such standards. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

As a result of our decision to avail ourselves of certain provisions of the JOBS Act, the information that we provide may be different than what you may receive from other public companies in which you hold an equity interest. In addition, it is possible that some investors will find our common stock less attractive as a result of our elections, which may cause a less active trading market for our common stock and more volatility in our stock price.

Corporate Information

We are a Delaware corporation and were incorporated in March 2010. Our principal executive office is located at 8000 NE Parkway Drive, Suite 350, Vancouver, WA 98662. Our telephone number at our principal executive office is (360) 260-7272. Our corporate website is www.papamurphys.com. The information on our corporate website is not part of, and is not incorporated by reference into, this prospectus.

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Risks Associated With our Business

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described in **Risk Factors** before making a decision to invest in our common stock. If any of these risks actually occur, our business, financial condition or results of operations would likely be materially adversely affected. In such case, the trading price of our common stock would likely decline, and you may lose all or part of your investment. Below is a summary of some of the principal risks that we face.

- n the highly competitive nature of the limited service restaurant pizza category and restaurant sector overall;
- n changes in consumer preferences, consumption habits and perceptions as well as changes in regulations;
- n our dependence on our relationship with our franchise owners and the success of their existing and new stores;
- n our ability to increase revenues by opening new domestic and international franchise and company-owned stores on a timely basis;