

Edgar Filing: Wingstop Inc. - Form 10-Q

Wingstop Inc.
Form 10-Q
August 04, 2017
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 July 1, 2017

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

For the transition period from _____ to _____

Commission File No. 001-37425

WINGSTOP INC.

(Exact name of registrant as specified in its charter)

Delaware 47-3494862
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

5501 LBJ Freeway, 5th Floor, 75240
Dallas, Texas
(Address of principal executive offices) (Zip Code)
(972) 686-6500
(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 (§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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Larger accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

On August 4, 2017 there were 29,072,401 shares of common stock outstanding.

TABLE OF CONTENTS

	Page
PART I <u>Financial Information</u>	<u>3</u>
Item 1. <u>Financial Statements</u>	<u>3</u>
<u>Consolidated Balance Sheets - July 1, 2017 (unaudited) and December 31, 2016</u>	<u>3</u>
<u>Consolidated Statements of Operations (unaudited) - Thirteen and Twenty-six Weeks Ended July 1, 2017 and June 25, 2016</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows (unaudited) - Twenty-six Weeks Ended July 1, 2017 and June 25, 2016</u>	<u>5</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>6</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>12</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>26</u>
Item 4. <u>Controls and Procedures</u>	<u>27</u>
 PART II <u>Other Information</u>	 <u>27</u>
Item 1. <u>Legal Proceedings</u>	<u>28</u>
Item 1A. <u>Risk Factors</u>	<u>28</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>28</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>28</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>28</u>
Item 5. <u>Other Information</u>	<u>28</u>
Item 6. <u>Exhibits</u>	<u>29</u>
<u>Signatures</u>	<u>30</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

WINGSTOP INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(amounts in thousands, except share and per share amounts)

	July 1, 2017 (Unaudited)	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	\$ 4,447	\$ 3,750
Accounts receivable, net	3,818	3,199
Prepaid expenses and other current assets	3,505	1,634
Advertising fund assets, restricted	2,445	2,533
Total current assets	14,215	11,116
Property and equipment, net	5,441	4,999
Goodwill	45,128	45,128
Trademarks	32,700	32,700
Customer relationships, net	16,240	16,914
Other non-current assets	857	943
Total assets	\$ 114,581	\$ 111,800
Liabilities and stockholders' deficit		
Current liabilities		
Accounts payable	\$ 1,778	\$ 1,458
Other current liabilities	8,156	9,241
Current portion of debt	3,500	3,500
Advertising fund liabilities, restricted	2,445	2,533
Total current liabilities	15,879	16,732
Long-term debt, net	137,529	147,217
Deferred revenues, net of current	8,024	7,868
Deferred income tax liabilities, net	12,155	12,304
Other non-current liabilities	2,224	2,307
Total liabilities	175,811	186,428
Commitments and contingencies (see note 6)		
Stockholders' deficit		
Common stock, \$0.01 par value; 100,000,000 shares authorized; 29,072,401 and 28,747,392 shares issued and outstanding as of July 1, 2017 and December 31, 2016, respectively	291	287
Additional paid-in-capital	2,793	1,194
Accumulated deficit	(64,314)	(76,109)
Total stockholders' deficit	(61,230)	(74,628)
Total liabilities and stockholders' deficit	\$ 114,581	\$ 111,800

See accompanying notes to consolidated financial statements

WINGSTOP INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(amounts in thousands, except per share data)

(Unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 1, 2017	June 25, 2016	July 1, 2017	June 25, 2016
Revenue:				
Royalty revenue and franchise fees	\$15,827	\$14,305	\$33,850	\$27,803
Company-owned restaurant sales	8,845	8,418	17,391	16,994
Total revenue	24,672	22,723	51,241	44,797
Costs and expenses:				
Cost of sales ⁽¹⁾	6,867	6,184	13,467	12,261
Selling, general and administrative	8,288	8,572	18,550	16,227
Depreciation and amortization	771	727	1,526	1,441
Total costs and expenses	15,926	15,483	33,543	29,929
Operating income	8,746	7,240	17,698	14,868
Interest expense, net	1,307	707	2,606	1,468
Other expense, net	—	10	—	38
Income before income tax expense	7,439			