

POTBELLY CORP
Form 10-Q
November 02, 2016

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 September 25, 2016

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: 001-36104

Potbelly Corporation

(Exact name of registrant as specified in its charter)

Delaware 36-4466837
(State or Other Jurisdiction of (IRS Employer

Incorporation) Identification Number)
111 N. Canal Street, Suite 850

Chicago, Illinois 60606

(Address, including Zip Code, of Principal Executive Offices)

Registrant's telephone number, including area code: (312) 951-0600

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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, or a smaller reporting company. See 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 (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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date:

Common stock, \$0.01 Par Value – 25,189,544 shares as of October 28, 2016

POTBELLY CORPORATION

QUARTERLY REPORT ON FORM 10-Q

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POTBELLY CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(amounts in thousands, except share and par value data, unaudited)

	September 25, 2016	December 27, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$29,734	\$32,006
Accounts receivable, net of allowances of \$124 and \$14 as of September 25, 2016 and December 27, 2015, respectively	4,522	4,461
Inventories	3,036	3,159
Prepaid expenses and other current assets	10,529	10,155
Total current assets	47,821	49,781
Property and equipment, net	97,614	97,434
Indefinite-lived intangible assets	3,404	3,404
Goodwill	2,222	1,428
Deferred income taxes, non-current	17,461	18,439
Deferred expenses, net and other assets	3,944	4,021
Total assets	\$172,466	\$174,507
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$4,137	\$5,762
Accrued expenses	23,029	19,277
Accrued income taxes	903	143
Total current liabilities	28,069	25,182
Deferred rent and landlord allowances	19,732	17,820
Other long-term liabilities	1,585	1,292
Total liabilities	49,386	44,294
Equity		
Common stock, \$0.01 par value—authorized, 200,000,000 shares; outstanding 25,241,726 and 26,304,261 shares as of September 25, 2016 and December 27, 2015, respectively	308	303
Warrants	909	909
Additional paid-in-capital	406,533	399,458
Treasury stock, held at cost, 5,608,226 and 4,033,910 shares as of September 25, 2016, and December 27, 2015, respectively	(70,447)	(50,000)
Accumulated deficit	(214,990)	(221,246)
Total stockholders' equity	122,313	129,424
Non-controlling interest	767	789
Total equity	123,080	130,213
Total liabilities and equity	\$172,466	\$174,507

See accompanying notes to the unaudited condensed consolidated financial statements.

POTBELLY CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

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

	For the 13 Weeks Ended		For the 39 Weeks Ended	
	September 25, 2016	September 27, 2015	September 25, 2016	September 27, 2015
Revenues				
Sandwich shop sales, net	\$ 103,224	\$ 95,564	\$ 303,116	\$ 276,527
Franchise royalties and fees	558	475	1,657	1,229
Total revenues	103,782	96,039	304,773	277,756
Expenses				
Sandwich shop operating expenses				
Cost of goods sold, excluding depreciation	28,478	27,256	83,224	78,854
Labor and related expenses	30,163	27,663	88,260	79,415
Occupancy expenses	13,111	11,855	39,042	34,741
Other operating expenses	11,338	10,501	32,570	30,128
General and administrative expenses	9,999			