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Wingstop Inc.
Form 10-Q
November 06, 2015
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 26, 2015

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
(State or other jurisdiction of incorporation or organization)

47-3494862
(IRS Employer Identification No.)

5501 LBJ Freeway, 5th Floor,
Dallas, Texas
(Address of principal executive offices)

75240
(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, 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.

Larger accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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(Do not check if a 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

On November 2, 2015 there were 28,581,182 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION.

Item 1. Financial Statements.

WINGSTOP INC. AND SUBSIDIARIES

Consolidated Balance Sheets

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

	September 26, 2015 (Unaudited)	December 27, 2014
Assets		
Current assets		
Cash and cash equivalents	\$5,717	\$9,723
Accounts receivable, net	2,404	2,380
Prepaid expenses and other current assets	3,819	2,848
Advertising fund assets, restricted	3,410	3,170
Total current assets	15,350	18,121
Property and equipment, net	4,510	3,622
Goodwill	45,128	45,128
Trademarks	32,700	32,700
Customer relationships, net	18,639	19,668
Other non-current assets	859	997
Total assets	\$117,186	\$120,236
Liabilities and stockholders' deficit		
Current liabilities		
Accounts payable	\$1,331	\$1,502
Other current liabilities	7,057	6,895
Current portion of debt	—	4,869
Advertising fund liabilities, restricted	3,410	3,170
Total current liabilities	11,798	16,436
Long-term debt, net of current	95,500	88,852
Deferred revenues, net of current	7,435	7,159
Deferred income tax liabilities, net	14,657	15,250
Other non-current liabilities	2,100	1,533
Total liabilities	131,490	129,230
Commitments and contingencies (see note 8)		
Stockholders' deficit		
Common stock, \$0.01 par value; 100,000,000 shares authorized; 28,581,182 and 26,101,755 shares issued and outstanding as of September 26, 2015 and December 27, 2014, respectively	286	261
Additional paid-in-capital	36,034	2,313
Accumulated deficit	(50,624) (11,568
Total stockholders' deficit	(14,304) (8,994
Total liabilities and stockholders' deficit	\$117,186	\$120,236

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		Thirty-Nine Weeks Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Revenue:				
Royalty revenue and franchise fees	\$ 11,587	\$ 9,477	\$ 34,144	\$ 27,287
Company-owned restaurant sales	7,547	6,940	23,248	22,105
Total revenue	19,134	16,417	57,392	49,392
Costs and expenses:				
Cost of sales (*)	5,328	4,882	16,580	15,161
Selling, general and administrative	7,317	6,833	25,658	17,156
Depreciation and amortization	636	690	1,944	2,232
Total costs and expenses	13,281	12,405	44,182	34,549
Operating income	5,853	4,012	13,210	14,843
Interest expense, net	800	876	2,764	2,871
Other (income) expense, net	96	(35)	382	61
Income before income tax expense	4,957	3,171	10,064	11,911
Income tax expense	1,784	1,178	3,753	4,426
Net income	\$ 3,173	\$ 1,993	\$ 6,311	\$ 7,485
Earnings per share				
Basic	\$ 0.11	\$ 0.08	\$ 0.23	\$ 0.29
Diluted	\$ 0.11	\$ 0.08	\$ 0.23	\$ 0.29
Weighted average shares outstanding				
Basic	28,581	25,934	27,135	25,788
Diluted	28,891	26,215	27,438	26,128
Dividends per share	\$ —	\$ —	\$ 1.83	\$ —

(*) exclusive of depreciation and amortization, shown separately

See accompanying notes to consolidated financial statements.

WINGSTOP INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Deficit

(amounts in thousands, except share data)

(Unaudited)

	Common Stock			Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Additional Paid-In Capital		
Balance at December 27, 2014	26,101,755	\$261	\$ 2,313	\$(11,568)	\$(8,994)
Net income	—	—	—	6,311	6,311
Issuance of common stock in connection with the IPO, net of transaction expenses	2,150,000	21	34,630	—	34,651
Exercise of stock options	329,427	4	474	—	478
Stock-based compensation expense	—	—	492	—	492
Excess tax benefit of stock-based compensation	—	—	757	—	757
Dividends paid	—	—	(2,632)	(45,367)	(47,999)
Balance at September 26, 2015	28,581,182	\$286	\$ 36,034	\$(50,624)	\$(14,304)

See accompanying notes to consolidated financial statements.

WINGSTOP INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(amounts in thousands)

(Unaudited)

	Thirty-Nine Weeks Ended	
	September 26, 2015	September 27, 2014
Operating activities		
Net income	\$6,311	\$7,485
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	1,944	2,232
Excess tax benefit of stock-based compensation	(757)	(445)
Deferred income taxes	(660)	(1,275)
Stock-based compensation expense	492	322
(Gain)/Loss on disposal of property and equipment	6	(95)
Amortization of debt issuance costs	299	142
Changes in operating assets and liabilities:		
Accounts receivable	(4)	(210)
Prepaid expenses and other assets	(997)	(607)
Accounts payable and other current liabilities	834	718
Deferred revenue	203	1,976
Other non-current liabilities (attributable to deferred rent and lease incentives)	210	255
Cash provided by operating activities	7,881	10,498
Investing activities		
Purchases of property and equipment	(1,329)	(969)
Proceeds from sales of assets	—	1,147
Cash (used in) provided by investing activities	(1,329)	178
Financing activities		
Proceeds from issuance of common stock, net of expenses	34,651	—
Proceeds from exercise of stock options	478	416
Borrowings of long-term debt	40,000	—
Principal payments on long-term debt	(38,218)	(7,562)
Payment of deferred financing costs	(227)	—
Excess tax benefit of stock-based compensation	757	445
Dividends paid	(47,999)	—
Cash used in financing activities	(10,558)	(6,701)
Net change in cash and cash equivalents	(4,006)	3,975
Cash and cash equivalents at beginning of period	9,723	3,173
Cash and cash equivalents at end of period	\$5,717	\$7,148

See accompanying notes to consolidated financial statements.

WINGSTOP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

(1) Basis of Presentation and Summary of Significant Accounting Policies
Overview

Wingstop Inc. was incorporated in Delaware on March 18, 2015 (“Wingstop” or the “Company”). Wing Stop Holding Corporation was merged with and into Wingstop Inc. pursuant to the reorganization that occurred on May 28, 2015 as described below. Wing Stop Holding Corporation was originally formed on March 16, 2010 to purchase 100% of the equity interests of Wingstop Holdings, Inc. (“WHI”). WHI owns 100% of the common stock of Wingstop Restaurants Inc. (“WRI”). Wingstop, through its primary operating subsidiary, WRI, collectively referred to as the “Company”, is in the business of franchising and operating Wingstop restaurants. As of September 26, 2015, 737 franchised restaurants were in operation domestically. As of September 26, 2015, 51 international franchised restaurants were in operation across six countries. As of September 26, 2015, WRI owned and operated 19 restaurants.

On May 28, 2015, Wing Stop Holding Corporation merged with and into Wingstop Inc., with Wingstop Inc. as the surviving corporation in the merger. Pursuant to the merger, each holder of Wing Stop Holding Corp