

POTBELLY CORP  
Form 10-Q  
May 04, 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 March 27, 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 – 25,978,704 shares as of April 29, 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)

	March 27, 2016	December 27, 2015
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$33,486	\$32,006
Accounts receivable, net of allowances of \$20 and \$14 as of March 27, 2016 and December 27, 2015, respectively	4,157	4,461
Inventories	2,951	3,159
Prepaid expenses and other current assets	8,939	10,155
Total current assets	49,533	49,781
Property and equipment, net	96,478	97,434
Indefinite-lived intangible assets	3,404	3,404
Goodwill	1,428	1,428
Deferred income taxes, non-current	18,375	18,439
Deferred expenses, net and other assets	4,000	4,021
Total assets	\$173,218	\$174,507
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable	\$3,230	\$5,762
Accrued expenses	22,423	19,277
Accrued income taxes	35	143
Total current liabilities	25,688	25,182
Deferred rent and landlord allowances	18,027	17,820
Other long-term liabilities	1,280	1,292
Total liabilities	44,995	44,294
Equity		
Common stock, \$0.01 par value—authorized, 200,000,000 shares; outstanding 26,029,282 and 26,304,261 shares as of March 27, 2016 and December 27, 2015, respectively	304	303
Warrants	909	909
Additional paid-in-capital	400,698	399,458
Treasury stock, held at cost, 4,367,860 and 4,033,910 shares as of March 27, 2016, and December 27, 2015, respectively	(54,359 )	(50,000 )
Accumulated deficit	(220,158)	(221,246)
Total stockholders' equity	127,394	129,424
Non-controlling interest	829	789
Total equity	128,223	130,213
Total liabilities and equity	\$173,218	\$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	
	March 27, 2016	March 29, 2015
Revenues		
Sandwich shop sales, net	\$95,426	\$85,397
Franchise royalties and fees	529	371
Total revenues	95,955	85,768
Expenses		
Sandwich shop operating expenses		
Cost of goods sold, excluding depreciation	26,246	24,345
Labor and related expenses	28,162	24,600
Occupancy expenses	12,757	11,347
Other operating expenses	10,545	9,657
General and administrative expenses	10,523	8,831
Depreciation expense	5,664	5,151
Pre-opening costs	152	541
Impairment and loss on disposal of property and equipment	17	348
Total expenses	94,066	84,820
Income from operations	1,889	948
Interest expense	28	61
Income before income taxes	1,861	887
Income tax expense	733	351
Net income	1,128	536
Net income attributable to non-controlling interest	40	5