

POTBELLY CORP  
Form 10-Q  
August 04, 2017

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 June 25, 2017

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, 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.

Large 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

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 – 25,125,482 shares as of June 25, 2017

Potbelly Corporation and Subsidiaries

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Potbelly Corporation and Subsidiaries

Condensed Consolidated Balance Sheets

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

	June 25, 2017	December 25, 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$21,182	\$23,379
Accounts receivable, net of allowances of \$159 and \$78 as of June 25, 2017 and December 25, 2016, respectively	5,576	3,787
Inventories	3,321	3,365
Prepaid expenses and other current assets	9,198	8,020
<b>Total current assets</b>	<b>39,277</b>	<b>38,551</b>
Property and equipment, net	105,270	107,074
Indefinite-lived intangible assets	3,404	3,404
Goodwill	2,222	2,222
Deferred income taxes, non-current	18,436	19,410
Deferred expenses, net and other assets	4,856	4,784
<b>Total assets</b>	<b>\$173,465</b>	<b>\$175,445</b>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$4,159	\$3,111
Accrued expenses	19,721	23,082
Accrued income taxes	68	1,622
<b>Total current liabilities</b>	<b>23,948</b>	<b>27,815</b>
Deferred rent and landlord allowances	22,174	21,076
Other long-term liabilities	2,574	2,318
<b>Total liabilities</b>	<b>48,696</b>	<b>51,209</b>
<b>Stockholders' equity</b>		
Common stock, \$0.01 par value—authorized 200,000,000 shares; outstanding	313	309

25,125,482 and 25,139,127 shares as of June 25, 2017 and

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December 25, 2016, respectively		
Warrants	—	909
Additional paid-in-capital	413,539	407,622
Treasury stock, held at cost, 6,166,996 and 5,753,412 shares as of		
June 25, 2017, and December 25, 2016, respectively	(77,317 )	(72,321 )
Accumulated deficit	(212,489)	(213,034)
Total stockholders' equity	124,046	123,485
Non-controlling interest	723	751
Total stockholders' equity	124,769	124,236
Total liabilities and equity	\$173,465	\$175,445

See accompanying notes to the unaudited condensed consolidated financial statements.

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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 26 Weeks Ended	
	June 25, 2017	June 26, 2016	June 25, 2017	June 26, 2016
<b>Revenues</b>				
Sandwich shop sales, net	\$107,382	\$104,466	\$208,241	\$199,892
Franchise royalties and fees	754	570	1,594	1,099
Total revenues	108,136	105,036	209,835	200,991
<b>Expenses</b>				
Sandwich shop operating expenses				