

Papa Murphy's Holdings, Inc.
Form 10-Q
May 10, 2018
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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 April 2, 2018

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 001-36432

Papa Murphy's Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	27-2349094
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
8000 NE Parkway Drive, Suite 350	98662
Vancouver, WA	(Zip Code)
(Address of principal executive offices)	
(360) 260-7272	
(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 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, a smaller reporting company, or an emerging growth company. See the definitions of "accelerated filer," "large 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 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 .

At May 4, 2018, there were 16,975,461 shares of the Registrant's common stock, \$0.01 par value, outstanding.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Papa Murphy's Holdings, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Operations

Three Months

Ended

April 2, April 3,

2018 2017

(In thousands, except share and per share data) (unaudited) (as adjusted)

Revenues

Franchise related	\$ 16,190	\$ 19,398
Company-owned stores	18,582	20,775
Total revenues	34,772	40,173

Costs and Expenses

Store operating costs:

Cost of food and packaging	6,126	7,215
Compensation and benefits	5,631	6,334
Advertising	1,252	1,712
Occupancy and other store operating costs	3,103	3,701
Selling, general, and administrative	13,013	25,702
Depreciation and amortization	2,141	3,117
Loss on disposal of property and equipment	2	9
Total costs and expenses	31,268	47,790
Operating Income (Loss)	3,504	(7,617)

Interest expense, net	1,292	1,227
Other expense, net	51	43
Income (Loss) Before Income Taxes	2,161	(8,887)

Provision for (benefit from) income taxes	581	(3,680)
Net Income (Loss)	\$ 1,580	\$ (5,207)

Earnings (loss) per share of common stock

Basic	\$ 0.09	\$ (0.31)
Diluted	\$ 0.09	\$ (0.31)

Weighted average common stock outstanding

Basic	16,905,738	16,839,244
Diluted	16,944,894	16,839,244

See accompanying notes.

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Unaudited Condensed Consolidated Balance Sheets

	April 2, 2018	January 1, 2018
	(unaudited)	(as adjusted)
(In thousands, except par value and share data)		
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,519	\$ 2,174
Accounts receivable, net	4,810	3,788
Inventories	819	719
Prepaid expenses and other current assets	2,302	2,281
Total current assets	9,450	8,962
Property and equipment, net	7,978	10,064
Operating lease right of use assets	13,365	16,331
Goodwill	102,596	107,751
Trade name and trademarks	87,002	87,002
Definite-life intangibles, net	30,550	31,655
Assets held for sale	8,557	—
Other assets	394	350
Total assets	\$ 259,892	\$ 262,115
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 4,596	\$ 5,389
Accrued expenses and other current liabilities	15,423	12,382
Current portion of lease liabilities	2,963	3,382
Current portion of unearned franchise and development fees	1,735	1,564
Current portion of long-term debt	5,600	8,400
Total current liabilities	30,317	31,117
Long-term debt, net of current portion	84,971	86,994
Lease liabilities, net of current portion	13,368	16,296
Unearned franchise and development fees, net of current portion	8,904	10,037
Deferred tax liability	22,355	21,825
Other long-term liabilities	4,070	1,704
Total liabilities	163,985	167,973
Commitments and contingencies (Note 15)		
Stockholders' Equity		
Preferred stock (\$0.01 par value; 15,000,000 shares authorized; no shares issued)	—	—
Common stock (\$0.01 par value; 200,000,000 shares authorized; 16,971,461 and 16,971,461 shares issued, respectively)	170	170
Additional paid-in capital	120,799	120,614
Accumulated deficit		