

Shake Shack Inc.
Form 10-Q
August 04, 2017
Table of Contents

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 June 28, 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: 001-36823

SHAKE SHACK INC.

(Exact name of registrant as specified in its charter)

Delaware 47-1941186
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

24 Union Square East, 5th Floor 10003
New York, New York

(Address of principal executive offices) (Zip Code)
(646) 747-7200

(Registrant's telephone number, including area code)

Not applicable

(Former name or former address, if changed since last report)

Indicate by check mark if 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, 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

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Exchange Act. No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
As of July 26, 2017, there were 25,981,176 shares of Class A common stock outstanding and 10,729,992 shares of Class B common stock outstanding.

SHAKE SHACK INC.
TABLE OF CONTENTS

<u>Cautionary Note Regarding Forward-Looking Information</u>	<u>1</u>
<u>Part I</u>	<u>2</u>
<u>Item 1. Financial Statements (Unaudited)</u>	<u>2</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>25</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>38</u>
<u>Item 4. Controls and Procedures</u>	<u>38</u>
<u>Part II</u>	<u>39</u>
<u>Item 1. Legal Proceedings</u>	<u>39</u>
<u>Item 1A. Risk Factors</u>	<u>39</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>39</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>39</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>39</u>
<u>Item 5. Other Information</u>	<u>39</u>
<u>Item 6. Exhibits</u>	<u>40</u>
<u>SIGNATURES</u>	<u>41</u>

Table of Contents

Cautionary Note Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q ("Form 10-Q") contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"), which are subject to known and unknown risks, uncertainties and other important factors that may cause actual results to be materially different. All statements other than statements of historical fact are forward-looking statements. Many of the forward-looking statements are located in Part I, Item 2 of this Form 10-Q under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements discuss our current expectations and projections relating to our financial position, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "outlook," "potential," "project," "projection," "plan," "intend," "seek," "may," "could," "would," "will," "should," "can," "can have," "likely," the negatives thereof and other similar expressions.

While we believe that our assumptions are reasonable, it is very difficult to predict the impact of known factors, and it is impossible to anticipate all factors that could affect our actual results. All forward-looking statements are expressly qualified in their entirety by these cautionary statements, except that the safe harbor provisions of the PSLRA do not apply to any forward-looking statements relating to the operations of any of our partnerships or limited liability companies. You should evaluate all forward-looking statements made in this Form 10-Q in the context of the risks and uncertainties disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 28, 2016, as amended, and subsequent Quarterly Reports on Form 10-Q filed with the U.S. Securities and Exchange Commission (the "SEC") under the heading "Risk Factors."

The forward-looking statements included in this Form 10-Q are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

	Page
<u>Condensed Consolidated Balance Sheets</u>	<u>3</u>
<u>Condensed Consolidated Statements of Income</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>5</u>
<u>Condensed Consolidated Statement of Stockholders' Equity</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>8</u>

2 | Shake Shack Inc. Form 10-Q

Table of Contents

SHAKE SHACK INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (UNAUDITED)
 (in thousands, except share and per share amounts)

	June 28 2017	December 28 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$22,436	\$ 11,607
Marketable securities	63,106	62,040
Accounts receivable	5,078	6,006
Inventories	968	806
Prepaid expenses and other current assets	1,591	3,485
Total current assets	93,179	83,944
Property and equipment, net	160,383	136,264
Deferred income taxes, net	320,015	313,207
Other assets	4,679	4,779
TOTAL ASSETS	\$578,256	\$ 538,194
LIABILITIES		
AND		
STOCKHOLDERS'		
EQUITY		
Current liabilities:		
Accounts payable	\$9,482	\$ 6,921
Accrued expenses	8,615	8,538
Accrued wages and related liabilities	4,758	6,084
Other current liabilities	10,252	10,173
Total current liabilities	33,107	31,716
Deemed landlord financing	11,166	2,007
Deferred rent	33,524	31,107
Liabilities under tax receivable agreement, net of current portion	277,316	267,902
	2,145	4,109

Other long-term liabilities		
Total liabilities	357,258	336,841
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, no par value—10,000,000 shares authorized; none issued and outstanding as of June 28, 2017 and December 28, 2016.	—	—
Class A common stock, \$0.001 par value—200,000,000 shares authorized; 25,939,866 and 25,151,384 shares issued and outstanding as of June 28, 2017 and December 28, 2016, respectively.	26	25
Class B common stock, \$0.001 par value—35,000,000 shares authorized; 10,770,992 and 11,253,592 shares issued and outstanding as of June 28, 2017 and December 28, 2016, respectively.	11	11
Additional paid-in capital	145,102	135,448
Retained earnings	23,865	16,719
Accumulated other comprehensive loss	(17)	(15)
Total stockholders' equity attributable to Shake Shack	168,987	152,188

Inc.		
Non-controlling interests	52,011	49,165
Total equity	220,998	201,353
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$578,256	\$ 538,194

See accompanying Notes to Condensed Consolidated Financial Statements.

Shake Shack Inc. Form 10-Q | 3

Table of ContentsSHAKE SHACK INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(in thousands, except per share amounts)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 28 2017	June 29 2016	June 28 2017	June 29 2016
Shack sales	\$88,003	\$64,406	\$162,158	\$116,559
Licensing revenue	3,313	2,066	5,907	4,078
TOTAL REVENUE	91,316	66,472	168,065	120,637
Shack-level operating expenses:				
Food and paper costs	24,712			