

NATHANS FAMOUS INC
Form 10-Q
February 03, 2017
FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended **December 25, 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 **0-3189**

NATHAN'S FAMOUS, INC.

(Exact name of registrant as specified in its charter)

Delaware **11-3166443**
(State or other jurisdiction (I.R.S. Employer

of incorporation or organization) Identification No.)

One Jericho Plaza, Second Floor – Wing A, Jericho, New York 11753

(Address of principal executive offices)

(Zip Code)

(516) 338-8500

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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. (Check One):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(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

At February 3, 2017 an aggregate of 4,176,497 shares of the registrant's common stock, par value of \$.01, were outstanding.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIESINDEX

	Page Number
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements.	3
Consolidated Financial Statements	
Consolidated Balance Sheets – December 25, 2016 (Unaudited) and March 27, 2016	3
Consolidated Statements of Earnings (Unaudited) - Thirteen and Thirty-nine Weeks Ended December 25, 2016 and December 27, 2015	4
Consolidated Statements of Comprehensive Income (Unaudited) – Thirteen and Thirty-nine Weeks Ended December 25, 2016 and December 27, 2015	5
Consolidated Statement of Stockholders’ (Deficit) (Unaudited) – Thirty-nine Weeks Ended December 25, 2016	6
Consolidated Statements of Cash Flows (Unaudited) – Thirty-nine Weeks Ended December 25, 2016 and December 27, 2015	7
Notes to Consolidated Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.	18
Item 3. Quantitative and Qualitative Disclosures About Market Risk.	28
Item 4. Controls and Procedures.	29
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings.	30
Item 1A. Risk Factors.	30
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.	30
Item 3. Defaults Upon Senior Securities.	30
Item 4. Mine Safety Disclosures.	30

Item 5.	Other Information.	30
Item 6.	Exhibits.	31
SIGNATURES		32
Exhibit Index		33

Nathan's Famous, Inc. and Subsidiaries**CONSOLIDATED BALANCE SHEETS**

December 25, 2016 and March 27, 2016

(in thousands, except share and per share amounts)

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements.**

	December 25, 2016 (Unaudited)	March 27, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 56,403	\$50,228
Accounts and other receivables, net	10,210	8,721
Inventories	394	687
Prepaid expenses and other current assets (Note G)	700	1,343
Total current assets	67,707	60,979
Property and equipment, net of accumulated depreciation of \$8,195 and \$7,190, respectively	9,009	9,013
Goodwill	95	95
Intangible asset	1,353	1,353
Other assets	94	109
Total assets	\$ 78,258	\$71,549
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 2,774	\$4,887
Accrued expenses and other current liabilities (Note H)	9,118	6,176
Deferred franchise fees	141	137
Total current liabilities	12,033	11,200
Long-term debt, net of unamortized debt issuance costs of \$3,824 and \$4,734, respectively (Note M)	131,176	130,266
Other liabilities	1,564	1,706
Deferred income taxes	805	713

Total liabilities	145,578	143,885
COMMITMENTS AND CONTINGENCIES (Note N)		
STOCKHOLDERS' (DEFICIT)		
Common stock, \$.01 par value; 30,000,000 shares authorized; 9,303,870 and 9,274,066 shares issued; and 4,176,497 and 4,177,309 shares outstanding at December 25, 2016 and March 27, 2016, respectively	93	93
Additional paid-in capital	60,482	60,950
(Accumulated deficit)	(50,592)	(57,348)
Treasury stock, at cost, 5,127,373 and 5,096,757 shares at December 25, 2016 and March 27, 2016, respectively	(77,303)	(76,031)
Total stockholders' (deficit)	(67,320)	(72,336)
Total liabilities and stockholders' (deficit)	\$ 78,258	\$71,549

The accompanying notes are an integral part of these financial statements.

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

Thirteen and thirty-nine weeks ended December 25, 2016 and December 27, 2015

(in thousands, except share and per share amounts)

(Unaudited)

	Thirteen weeks ended December 25,		Thirty-nine weeks ended December 25,	
	December 2016	December 2015	December 2016	December 2015
REVENUES				
Sales	\$14,859	\$15,763	\$58,012	\$62,627
License royalties	3,990	3,614	15,602	15,406
Franchise fees and royalties	1,088	1,187	3,752	3,804
Total revenues	19,937	20,564	77,366	81,837
COSTS AND EXPENSES				
Cost of sales	10,785	12,082	41,732	47,848
Restaurant operating expenses	695	699	2,711	2,890
Depreciation and amortization	309	303	1,005	975
General and administrative expenses	3,394	3,045	10,309	9,647
Total costs and expenses	15,183	16,129	55,757	61,360
Income from operations	4,754	4,435	21,609	20,477
Interest expense	(3,663)	(3,708)	(11,002)	(11,126)
Interest income	35	-	71	52
Other income, net	21	21	64	72
Income before provision for income taxes	1,147	748	10,742	9,475
Provision for income taxes	448	316	3,986	3,886
Net income	\$699	\$432	\$6,756	\$5,589
PER SHARE INFORMATION				
Income per share:				
Basic	\$. 17	\$. 10	\$1.62	\$1.25
Diluted	\$. 17	\$. 10	\$1.61	\$1.24
Weighted average shares used in computing income per share:				

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Basic	4,175,000	4,408,000	4,171,000	4,474,000
Diluted	4,209,000	4,444,000	4,202,000	4,504,000

The accompanying notes are an integral part of these financial statements.

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Thirteen and thirty-nine weeks ended December 25, 2016 and December 27, 2015

(in thousands)

(Unaudited)

	Thirteen weeks ended December 25,		Thirty-nine weeks ended December 25,	
	2016	2015	2016	2015
Net income	\$699	\$ 432	\$6,756	\$ 5,589
Other comprehensive loss, net of deferred income taxes:				
Less: Reclassification adjustment for gains included in net income	-	-	-	47
Other comprehensive loss	-	-	-	(47)
Comprehensive income	\$699	\$ 432	\$6,756	\$ 5,542

The accompanying notes are an integral part of these financial statements.

Nathan's Famous, Inc. and Subsidiaries**CONSOLIDATED STATEMENT OF STOCKHOLDERS' (DEFICIT)**

Thirty-nine weeks ended December 25, 2016

(in thousands, except share amounts)

(Unaudited)

	Common Shares	Common Stock	Additional Paid-in Capital	(Accumulated Deficit)	Treasury Stock, at Cost Shares	Amount	Total Stockholders' (Deficit)
Balance, March 27, 2016	9,274,066	\$ 93	\$ 60,950	\$ (57,348)	5,096,757	\$(76,031)	\$(72,336)
Shares issued in connection with share-based compensation plans	29,804	-	44				44
Withholding tax on net share settlement of share-based compensation plans			(994)				(994)
Repurchase of common stock					30,616	(1,272)	(1,272)
Share-based compensation			482				482
Net income	-	-	-	6,756	-	-	6,756
Balance, December 25, 2016	9,303,870	\$ 93	\$ 60,482	\$ (50,592)	5,127,373	\$(77,303)	\$(67,320)

The accompanying notes are an integral part of these financial statements.

Nathan's Famous, Inc. and Subsidiaries**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Thirty-nine weeks ended December 25, 2016 and December 27, 2015

(in thousands)

(Unaudited)

	December 25, 2016	December 27, 2015
Cash flows from operating activities:		
Net income	\$ 6,756	\$5,589
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,005	975
Amortization of bond premium	-	64
Gain on sale of marketable equity securities	-	(26)
Amortization of debt issuance costs	910	889
Share-based compensation expense	482	549
Income tax benefit on stock option exercises	659	-
Provision for doubtful accounts	34	23
Deferred income taxes	92	15
Changes in operating assets and liabilities:		
Accounts and other receivables, net	(1,523)	441
Inventories	293	253
Prepaid expenses and other current assets	643	3,618
Other assets	15	134
Accounts payable, accrued expenses and other current liabilities	545	1,575
Deferred franchise fees	4	(81)
Other liabilities	(142)	(355)
Net cash provided by operating activities	9,773	13,663
Cash flows from investing activities:		
Proceeds from sales and maturities of available-for-sale securities	-	10,868
Purchase of property and equipment	(1,001)	(550)
Purchase of available-for-sale securities	-	(3,887)
Net cash (used in) provided by investing activities	(1,001)	6,431
Cash flows from financing activities:		

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Debt issuance costs	-	(60)
Income tax benefit on stock option exercises	-	142
Proceeds from exercise of stock options	44	44
Dividends paid upon vesting of restricted stock	(375)	(375)
Payments of withholding tax on net share settlement of share-based compensation plans	(994)	(260)
Repurchase of treasury stock	(1,272)	(11,270)
Net cash (used in) financing activities	(2,597)	(11,779)