

GOOD TIMES RESTAURANTS INC  
Form 10-Q  
August 15, 2016

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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 June 30, 2016

OR

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

Commission File Number: 0-18590

(Exact Name of  
Registrant as Specified in  
Its Charter)

NEVADA  
(State or Other  
Jurisdiction of  
Incorporation or  
Organization)

84-1133368  
(I.R.S. Employer  
Identification  
Number)

141 UNION BLVD, SUITE 400, LAKEWOOD, CO 80228  
(Address of Principal Executive Offices, Including Zip Code)  
(303) 384-1400  
(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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act

Large accelerated filer    Accelerated filer

Non-accelerated filer    Smaller reporting company

Indicate by check mark whether the registrant is a  
shell company (as defined in Rule 12b-2                      Yes              No  
of the Exchange Act).

As of August 15, 2016, there were 12,282,625 shares of the Registrant's  
common stock, par value \$0.001 per share, issued and outstanding.

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Form 10-Q  
 Quarter Ended June 30, 2016

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ITEM 1. FINANCIAL STATEMENTS  
 GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)  
 (In thousands except share and per share data)

|  | June 30,<br>2016 | September 30,<br>2015 |
|--|------------------|-----------------------|
| <u>ASSETS</u>  |                  |                       |
| CURRENT ASSETS:  |                  |                       |
| Cash and cash equivalents  | \$7,214          | \$ 13,809             |
| Receivables, net of allowance for doubtful accounts of \$0   | 743              | 189                   |
| Prepaid expenses and other   | 349              | 161                   |
| Inventories  | 602              | 510                   |
| Notes receivable   | 50               | 59                    |
| Total current assets   | 8,958            | 14,728                |
| PROPERTY AND EQUIPMENT:  |                  |                       |
| Land and building  | 5,068            | 5,054                 |
| Leasehold improvements   | 13,930           | 10,294                |
| Fixtures and equipment   | 14,693           | 12,096                |
| Total property and equipment   | 33,691           | 27,444                |
| Less accumulated depreciation and amortization   | (14,853)         | (13,222)              |
| Total net property and equipment   | 18,838           | 14,222                |
| Assets held for sale   | 93               | 0                     |
| OTHER ASSETS:  |                  |                       |
| Notes receivable   | 62               | 71                    |
| Trademarks   | 3,900            | 3,900                 |
| Other intangibles, net   | 96               | 117                   |
| Goodwill   | 15,076           | 15,066                |
| Deposits and other assets  | 120              | 124                   |
| Total other assets   | 19,254           | 19,278                |
| <b>TOTAL ASSETS</b>  | <b>\$47,143</b>  | <b>\$ 48,228</b>      |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>  |                  |                       |
| CURRENT LIABILITIES:   |                  |                       |
| Current maturities of long-term debt and capital lease obligations   | \$191            | \$ 2,617              |
| Accounts payable   | 2,293            | 2,733                 |
| Deferred income  | 25               | 25                    |
| Other accrued liabilities  | 2,540            | 1,883                 |
| Total current liabilities  | 5,049            | 7,258                 |
| LONG-TERM LIABILITIES:   |                  |                       |
| Long-term debt due after one year  | 962              | 1,093                 |
| Capital lease obligations due after one year   | 1                | 11                    |
| Deferred and other liabilities   | 3,696            | 1,609                 |
| Total long-term liabilities  | 4,659            | 2,713                 |
| STOCKHOLDERS' EQUITY:  |                  |                       |
| Good Times Restaurants Inc. stockholders' equity:  |                  |                       |
| Preferred stock, \$.01 par value; 5,000,000 shares authorized, no shares issued and outstanding as of June 30, 2016 and September 30, 2015 | 0                | 0                     |

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|  |                 |                  |
|--|-----------------|------------------|
| Common stock, \$.001 par value; 50,000,000 shares authorized,<br>12,282,625 and 12,259,550 shares issued and outstanding as of<br>June 30, 2016 and September 30, 2015, respectively | 12              | 12               |
| Capital contributed in excess of par value   | 58,005          | 57,434           |
| Accumulated deficit  | (22,054)        | (20,804 )        |
| Total Good Times Restaurants Inc. stockholders' equity   | 35,963          | 36,642           |
| Non-controlling interests  | 1,472           | 1,615            |
| Total stockholders' equity   | 37,435          | 38,257           |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>  | <b>\$47,143</b> | <b>\$ 48,228</b> |

See accompanying notes to condensed consolidated financial statements

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands except share and per share data)

|  | Three Months Ended |              | Nine Months Ended |                |
|--|--------------------|--------------|-------------------|----------------|
|  | June 30,           |              | June 30,          |                |
|  | 2016               | 2015         | 2016              | 2015           |
| <b>NET REVENUES:</b>   |                    |              |                   |                |
| Restaurant sales   | \$17,879           | \$12,772     | \$46,676          | \$29,165       |
| Franchise royalties and fees                                 | 187                | 165          | 546               | 342            |
| Total net revenues   | 18,066             | 12,937       | 47,222            | 29,507         |
| <b>RESTAURANT OPERATING COSTS:</b>                           |                    |              |                   |                |
| Food and packaging costs                                     | 5,563              | 4,137        | 14,853            | 9,760          |
| Payroll and other employee benefit costs                     | 6,064              | 4,107        | 16,230            | 9,553          |
| Restaurant occupancy and other operating costs               | 2,855              | 2,003        | 7,732             | 4,797          |
| Preopening costs   | 127                | 156          | 1,428             | 578            |
| Depreciation and amortization                                | 584                | 351          | 1,592             | 813            |
| Total restaurant operating costs                             | 15,193             | 10,754       | 41,835            | 25,501         |
| General and administrative costs                             | 1,585              | 1,131        | 4,701             | 2,926          |
| Advertising costs  | 419                | 327          | 1,137             | 848            |
| Acquisition costs  | 0                  | 365          | 0                 | 562            |
| Franchise costs  | 28                 | 32           | 82                | 85             |
| Gain on restaurant asset sale                                | (7 )               | (7 )         | (19 )             | (19 )          |
| <b>INCOME (LOSS) FROM OPERATIONS</b>                         | <b>848</b>         | <b>335</b>   | <b>(514)</b>      | <b>(396)</b>   |
| <b>Other Income (Expenses):</b>                              |                    |              |                   |                |
| Interest income (expense), net                               | (24 )              | (21 )        | (90 )             | (22 )          |
| Affiliate investment expense                                 | 0                  | (18 )        | 0                 | (5 )           |
| Other income (loss)  | (1 )               | (2 )         | (1 )              | (5 )           |
| Total other expenses, net                                    | (25 )              | (41 )        | (91 )             | (32 )          |
| <b>NET INCOME (LOSS)</b>                                     | <b>\$823</b>       | <b>\$294</b> | <b>\$(605)</b>    | <b>\$(428)</b> |
| Income attributable to non-controlling interests             | (276 )             | (188 )       | (645 )            | (311 )         |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS</b> | <b>\$547</b>       | <b>\$106</b> | <b>\$(1,250)</b>  | <b>\$(739)</b> |
| <b>BASIC AND DILUTED INCOME (LOSS) PER SHARE:</b>            |                    |              |                   |                |
| Net income (loss) attributable to Common Shareholders        | \$ .04             | \$ .01       | \$ (.10)          | \$ (.07)       |
| <b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>            |                    |              |                   |                |
| Basic  | 12,270,900         | 11,144,262   | 12,264,622        | 9,924,190      |
| Diluted  | 12,544,001         | 11,534,951   | N/A               | N/A            |

See accompanying notes to condensed consolidated financial statements

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GOOD TIMES RESTAURANTS INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)  
 (In thousands)

|   | Nine months Ended<br>June 30, |              |
|---|-------------------------------|--------------|
|   | 2016                          | 2015         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                    |                               |              |
| Net loss  | \$(605 )                      | \$(428 )     |
| Adjustments to reconcile net loss to net cash provided by operating activities: |                               |              |
| Depreciation and amortization   | 1,669                         | 868          |
| Accretion of deferred rent  | 288                           | 91           |
| Amortization of lease incentive obligation                                      | (161 )                        | (26 )        |
| Stock-based compensation expense  | 532                           | 317          |
| Affiliate investment income   | 0                             | 5            |
| Recognition of deferred gain on sale of restaurant building                     | (19 )                         | (19 )        |
| Changes in operating assets and liabilities:                                    |                               |              |
| Change in:  |                               |              |
| Receivables and other   | (554 )                        | 35           |
| Inventories   | (92 )                         | (38 )        |
| Deposits and other  | (192 )                        | (96 )        |
| Change in:  |                               |              |
| Accounts payable  | 115                           | 209          |
| Deferred liabilities  | 1,989                         | 166          |
| Accrued and other liabilities   | 637                           | (77 )        |
| Net cash provided by operating activities                                       | 3,607                         | 1,007        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                    |                               |              |
| Payments for the purchase of property and equipment                             | (6,910 )                      | (4,372 )     |
| Proceeds from sale leaseback transaction  | 0                             | 1,521        |
| Proceeds from sale of assets  | 6                             | 0            |
| Acquisition of BDI, net of cash acquired  | 0                             | (17,612)     |
| Payments received from franchisees and others                                   | 18                            | 7            |
| Net cash used in investing activities   | (6,886 )                      | (20,456)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                    |                               |              |
| Proceeds from stock sale  | 0                             | 20,651       |
| Proceeds from warrant exercises, net  | 0                             | 3,221        |
| Proceeds from stock option exercises  | 39                            | 45           |
| Principal payments on notes payable and long-term debt                          | (2,567 )                      | (88 )        |
| Borrowings on notes payable and long-term debt                                  | 0                             | 1,118        |
| Distributions to non-controlling interests                                      | (788 )                        | (205 )       |
| Net cash provided by (used in) financing activities                             | (3,316 )                      | 24,742       |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                                  | <b>(6,595 )</b>               | <b>5,293</b> |
| <b>CASH AND CASH EQUIVALENTS, beginning of period</b>                           | <b>13,809</b>                 | <b>9,894</b> |
| <b>CASH AND CASH EQUIVALENTS, end of period</b>                                 | <b>\$7,214</b>                |              |