

Papa Murphy's Holdings, Inc.
Form 10-Q
May 22, 2014
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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 March 31, 2014

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
(State or Other Jurisdiction of
Incorporation or Organization)
8000 NE Parkway Drive, Suite 350
Vancouver, WA
(Address of principal executive offices)
(360) 260-7272
(Registrant's telephone number, including area code)

27-2349094
(IRS Employer
Identification No.)
98662
(Zip 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 or a smaller reporting company. See the definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" 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 of the Exchange Act). Yes . No .

At May 21, 2014, there were 16,967,403 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

Condensed Consolidated Statements of Operations and Comprehensive Income

(In thousands of dollars, except per share data)

(Unaudited)

	Three Months Ended	
	March 31, 2014	April 1, 2013
Revenues		
Franchise royalties	\$10,069	\$9,503
Franchise and development fees	1,169	882
Company-owned store sales	12,018	9,166
Lease and other	1,861	42
Total revenues	25,117	19,593
Costs and Expenses		
Store operating costs (exclusive of depreciation and amortization shown separately below):		
Cost of food and packaging	4,590	3,423
Compensation and benefits	3,030	2,572
Advertising	1,122	846
Occupancy	660	554
Other store operating costs	1,069	930
Selling, general, and administrative	8,199	5,734
Depreciation and amortization	1,841	1,699
Loss on disposal or impairment of property and equipment	6	64
Total costs and expenses	20,517	15,822
Operating Income	4,600	3,771
Interest expense	3,112	2,616
Interest income	(34) (22
Other expense, net	12	7
Income Before Income Taxes	1,510	1,170
Provision for income taxes	691	459
Net Income	819	711
Other Comprehensive Income		
Foreign currency translation adjustment	—	—
Total Comprehensive Income	\$819	\$711
Loss per share of common stock		
Basic	\$(0.20) \$(0.23
Diluted	\$(0.20) \$(0.23
Weighted average common stock outstanding		
Basic	3,851,741	3,797,209
Diluted	3,851,741	3,797,209
See accompanying notes.		

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PAPA MURPHY'S HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands of dollars, except par value and share data)

	March 31, 2014 (unaudited)	December 30, 2013
Assets		
Current Assets		
Cash and cash equivalents	\$2,241	\$3,705
Accounts receivable, net	4,158	2,430
Notes receivable (including related party notes of \$41 and \$39, respectively)	54	837
Inventories	482	495
Prepaid expenses and other current assets	7,476	7,054
Current deferred tax asset	1,811	1,856
Total current assets	16,222	16,377
Property and equipment, net	9,607	9,660
Notes receivable, net (including related party notes of \$392 and \$444, respectively)	392	444
Goodwill	96,080	96,089
Trade name and trademarks	87,002	87,002
Definite-life intangibles, net	47,512	48,744
Deferred finance charges, net	3,733	3,934
Other assets	2,752	2,252
Total assets	\$263,300	\$264,502
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$2,212	\$3,673
Accrued and other liabilities	7,368	9,741
Unearned franchise and development fees	2,945	2,881
Current portion of long-term debt	1,670	1,670
Total current liabilities	14,195	17,965
Long-term debt, net of current portion	169,330	168,330
Unearned franchise and development fees	1,160	1,113
Deferred tax liability	41,873	41,465
Other long-term liabilities	1,472	1,482
Total liabilities	228,030	230,355
Commitments and contingencies (Note 14)		
Equity		
Papa Murphy's Holdings Inc. Shareholders' Equity		