

Edgar Filing: Wingstop Inc. - Form 8-K

Wingstop Inc.
Form 8-K
August 02, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 1, 2018

WINGSTOP INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	001-37425 (Commission File Number)	47-3494862 (IRS Employer Identification No.)
5501 LBJ Freeway, 5th Floor, Dallas, Texas (Address of principal executive offices) (972) 686-6500 (Registrant's telephone number, including area code) N/A (Former name or former address, if changed since last report)		75240 (Zip Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02. Results of Operations and Financial Condition

The following information is furnished pursuant to Item 2.02, “Results of Operations and Financial Condition.” Consequently, it is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section. It may only be incorporated by reference in another filing under the Exchange Act or Securities Act of 1933, if such subsequent filing specifically references this Form 8-K.

On August 2, 2018, Wingstop Inc. (“the Company,” “we,” “our,” or “us”) issued a press release reporting the Company’s financial results for its fiscal second quarter ended June 30, 2018. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated by reference herein in its entirety. The press release uses the following non-GAAP financial measures: EBITDA and Adjusted EBITDA. A discussion of these financial measures, including a discussion of the usefulness and purpose of each measure, is included below.

EBITDA and Adjusted EBITDA. EBITDA and Adjusted EBITDA are supplemental measures of our performance that are not required by, or presented in accordance with, U.S. GAAP. EBITDA and Adjusted EBITDA are not measurements of our financial performance under U.S. GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with U.S. GAAP, or as an alternative to cash flows from operating activities as a measure of our liquidity.

We define “EBITDA” as net income before interest expense, net, income tax expense, and depreciation and amortization. We define “Adjusted EBITDA” as EBITDA further adjusted for transaction costs, gains and losses on the disposal of assets, and stock-based compensation expense. We caution investors that amounts presented in accordance with our definitions of EBITDA and Adjusted EBITDA may not be comparable to similar measures disclosed by our competitors, because not all companies and analysts calculate EBITDA and Adjusted EBITDA in the same manner. We present EBITDA and Adjusted EBITDA because we consider them to be important supplemental measures of our performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. Management believes that investors’ understanding of our performance is enhanced by including these non-GAAP financial measures as a reasonable basis for comparing our ongoing results of operations. Many investors are interested in understanding the performance of our business by comparing our results from ongoing operations on a period-over-period basis and would ordinarily add back non-cash expenses such as depreciation and amortization, as well as items that are not part of normal day-to-day operations of our business.

Management uses EBITDA and Adjusted EBITDA:

- as a measurement of operating performance because they assist us in comparing the operating performance of our restaurants on a consistent basis, as they remove the impact of items not directly resulting from our core operations;
- for planning purposes, including the preparation of our internal annual operating budget and financial projections;
- to evaluate the performance and effectiveness of our operational strategies;
- to evaluate our capacity to fund capital expenditures and expand our business; and
- to calculate incentive compensation payments for our employees, including assessing performance under our annual incentive compensation plan and determining the vesting of performance-based equity awards.

By providing these non-GAAP financial measures, together with a reconciliation to the most comparable GAAP measure, we believe we are enhancing investors’ understanding of our business and our results of operations, as well as assisting investors in evaluating how well we are executing our strategic initiatives. In addition, the instruments governing our indebtedness use EBITDA (with additional adjustments) to measure our compliance with covenants such as our fixed charge coverage, lease adjusted leverage and debt incurrence. EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation, or as an alternative to, or a substitute for, net income or other financial statement data presented in our consolidated financial statements as indicators of financial performance. Some of the limitations are:

- such measures do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- such measures do not reflect changes in, or cash requirements for, our working capital needs;
- such measures do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on our debt;

such measures do not reflect our tax expense or the cash requirements to pay our taxes;
although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often
have to be replaced in the future and such measures do not reflect any cash requirements for such replacements; and

other companies in our industry may calculate such measures differently than we do, limiting their usefulness as comparative measures.

Due to these limitations, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our U.S. GAAP results and using these non-GAAP measures only supplementally. As noted in the press release attached hereto as Exhibit 99.1, Adjusted EBITDA includes adjustments for transaction costs, gains and losses on disposal of assets and stock-based compensation. It is reasonable to expect that these items will occur in future periods. However, we believe these adjustments are appropriate because the amounts recognized can vary significantly from period-to-period, do not directly relate to the ongoing operations of our restaurants and complicate comparisons of our internal operating results and operating results of other restaurant companies over time. Each of the normal recurring adjustments and other adjustments described in this paragraph and in the press release help management measure our core operating performance over time by removing items that are not related to day-to-day operations.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On August 1, 2018, the Company's Board of Directors, upon recommendation by the Company's Nominating and Corporate Governance Committee, voted to increase the total size of the Board of Directors from six members to seven members and elected Krishnan (Kandy) Anand to fill the resulting vacancy as an independent Class I director of the Company, effective August 1, 2018. Mr. Anand has also been appointed to serve on the Company's Audit Committee, effective August 1, 2018. Mr. Anand is entitled to receive compensation under the Company's non-employee director compensation policy, including a grant of restricted stock, and has also entered into the Company's standard indemnification agreement with directors. Mr. Anand served on the board of directors of Popeyes Louisiana Kitchen Inc. from November 2010 to 2017. He currently serves as the Chief Growth Officer of Molson Coors Brewing Co. (NYSE:TAP), prior to which he served as President and Chief Executive Officer of Molson Coors International from December 2009 to October 2016. Before joining Molson Coors, Mr. Anand held a variety of positions at The Coca Cola Company, most recently as president of Coca Cola's Philippine business from 2007 to 2009. He also served as vice president of Coca Cola's Global Commercial Leadership from 2004 to 2007 and prior to that as vice president of global brands strategy.

Item 8.01. Other Events

On August 2, 2018, the Company's Board of Directors declared a \$0.09 per common share quarterly cash dividend. The dividend is payable on September 18, 2018 to stockholders of record as of the close of business on September 4, 2018. The declaration of any future dividends is subject to the Board's discretion.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

99.1 Press release, dated August 2, 2018 (furnished pursuant to Item 2.02).

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Wingstop Inc.

Date: August 2, 2018 By: /s/ Michael J. Skipworth
Chief Financial Officer
(Principal Financial and Accounting Officer)