

ONE Group Hospitality, Inc.  
Form 10-Q  
May 15, 2017

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, 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 001-37379

THE ONE GROUP HOSPITALITY, INC.  
(Exact name of registrant as specified in its charter)

Delaware 14-1961545  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

411 W. 14th Street, 2nd Floor, New York, New York 10014  
(Address of principal executive offices) Zip Code

646-624-2400  
(Registrant's telephone number, including area code)

Indicate by check mark whether 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 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):





PART I  
FINANCIAL INFORMATION

Item 1. Financial Statements

THE ONE GROUP HOSPITALITY, INC.

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## CONSOLIDATED BALANCE SHEETS

	March 31, 2017  (unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,787,850	\$ 1,597,782
Accounts receivable, net	5,326,175	4,959,822
Inventory	1,386,965	1,308,851
Other current assets	2,317,835	1,811,787
Due from related parties, net	708,411	415,773
Total current assets	11,527,236	10,094,015
Property and equipment, net	37,302,061	36,815,239
Investments	3,110,868	3,065,557
Deferred tax assets	51,890	51,031
Security deposits	2,210,346	2,203,837
Other assets	627,751	661,936
Total assets	\$54,830,152	\$52,891,615
Liabilities and Stockholders' Equity		
Current liabilities:		
Cash overdraft	\$ 1,316,115	\$ 679,938
Long term debt, current portion	4,057,042	3,153,666
Accounts payable	6,146,020	3,761,823
Accrued expenses	4,279,913	5,549,638
Deferred license revenue	109,957	109,957
Deferred revenue	754,742	612,574
Total current liabilities	16,663,789	13,867,596
Deferred license revenue, long-term	1,550,843	1,109,635
Due to related parties, long term	1,197,375	1,197,375
Long term debt, net of current portion	12,429,710	13,167,867
Deferred rent payable	16,135,555	16,170,605
Total liabilities	47,977,272	45,513,078
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.0001 par value, 75,000,000 shares authorized; 25,050,628 shares issued and outstanding at March 31, 2017 (unaudited) and December 31, 2016	2,505	2,505
Preferred stock, \$0.0001 par value, 10,000,000 shares authorized; 0 shares issued and outstanding at March 31, 2017 (unaudited) and December 31, 2016	—	—
Additional paid-in capital	37,537,582	37,384,243
Accumulated deficit	(28,164,960 )	(27,763,194 )
Accumulated other comprehensive loss	(1,600,129 )	(1,543,951 )
Total stockholders' equity	7,774,998	8,079,603
Noncontrolling interest	(922,118 )	(701,066 )
Total stockholders' equity including noncontrolling interest	6,852,880	7,378,537

Total liabilities and stockholders' equity	\$54,830,152	\$52,891,615
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See notes to the consolidated financial statements.

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## THE ONE GROUP HOSPITALITY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)  
(unaudited)

	Three Months Ended March	
	31,	
	2017	2016
Revenues:		
Owned unit net revenues	\$ 18,112,982	\$ 14,379,930
Management and incentive fee revenue	2,313,716	2,014,051
Total revenue	20,426,698	16,393,981
Cost and expenses:		
Owned operating expenses:		
Food and beverage costs	4,674,061	3,528,753
Unit operating expenses	11,507,774	9,247,655
General and administrative	2,920,897	2,683,696
Depreciation and amortization	865,870	522,639
Lease termination expense	28,161	—
Pre-opening expenses	714,342	900,186
Equity in income of investee companies	(45,311 )	(82,585 )
Derivative income	—	(100,000 )
Interest expense, net of interest income	258,990	98,169
Other expense	11,948	225,034
Total costs and expenses	20,936,732	17,023,547
Loss from continuing operations before provision for income taxes	(510,034 )	(629,566 )
Income tax benefit	(16,746 )	(65,951 )
Loss from continuing operations	(493,288 )	(563,615 )
Loss (income) from discontinued operations, net of taxes	106,230	(1,835 )
Net loss	(599,518 )	(561,780 )
Less: net loss attributable to noncontrolling interest	(197,752 )	(104,877 )
Net loss attributable to The ONE Group Hospitality, Inc.	\$(401,766 )	\$(456,903 )
Amounts attributable to The ONE Group Hospitality, Inc.:		
Loss from continuing operations	\$(295,536 )	\$(458,738 )
Loss (income) from discontinued operations, net of taxes	106,230	(1,835 )
Net loss attributable to The ONE Group Hospitality, Inc.	\$(401,766 )	\$(456,903 )
Net loss attributable to The ONE Group Hospitality, Inc.	\$(401,766 )	\$(456,903 )
Other comprehensive loss		
Currency translation adjustment	(56,178 )	(21,405 )

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Comprehensive loss		\$(457,944	)	\$(478,308	)
Basic and diluted loss per share:					
Continuing operations		\$(0.01	)	\$(0.02	)
Discontinued operations		\$0.00		\$0.00	
Net loss per share attributable to The ONE Group Hospitality, Inc.		\$(0.02	)	\$(0.02	)
Shares used in computing basic and diluted loss per share		25,050,628		25,250,424	

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See notes to the consolidated financial statements.

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## HE ONE GROUP HOSPITALITY, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
(unaudited)

	Common stock			Accumulated deficit	Accumulated other comprehensive loss	Total stockholders' equity	Noncontrolling interest	Total stockholders' equity including noncontrolling interest
Shares	Par value	Additional paid-in capital						
Balance at December 31, 2016	25,050,628	\$2,505	\$37,384,243	\$(27,763,194)	\$(1,543,951)	\$8,079,603	\$(701,066)	\$7,378,537
Stock based compensation expense	—	—	153,339			153,339		153,339
Distributions to noncontrolling interest						—	(23,300)	(23,300)
Loss on foreign currency translation, net					(56,178)	(56,178)		(56,178)
Net loss				(401,766)		(401,766)	(197,752)	(599,518)
Balance at March 31, 2017	25,050,628	\$2,505	\$37,537,582	\$(28,164,960)	\$(1,600,129)	\$7,774,998	\$(922,118)	\$6,852,880

See notes to the consolidated financial statements.

THE ONE GROUP HOSPITALITY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

	Three months ended March 31,	
	2017	2016
Operating activities:		
Net loss	\$(599,518)	\$(561,780)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	865,870	522,639
Amortization of discounts on warrants	47,312	—
Deferred rent payable	(35,050)	) 206,711
Deferred taxes	—	341,503
Equity in income of investee companies	(45,311)	) (82,585 )
Derivative income	—	(100,000 )
Stock-based compensation	153,339	