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Fiesta Restaurant Group, Inc.

Form 10-Q

November 06, 2017

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended October 1, 2017

OR

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

Commission File Number: 001-35373

FIESTA RESTAURANT GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

14800 Landmark Boulevard, Suite 500

Dallas, Texas

(Address of principal executive office)

90-0712224

(I.R.S. Employer
Identification No.)

75254

(Zip Code)

Registrant's telephone number, including area code: (972) 702-9300

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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 their 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 "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company)

Smaller reporting company

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.

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

As of November 1, 2017, Fiesta Restaurant Group, Inc. had 27,087,094 shares of its common stock, \$.01 par value, outstanding.

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QUARTER ENDED OCTOBER 1, 2017**

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PART I—FINANCIAL INFORMATION
ITEM 1—INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FIESTA RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of dollars, except share and per share amounts)
(Unaudited)

	October 1, 2017	January 1, 2017
ASSETS		
Current assets:		
Cash	\$4,244	\$4,196
Trade receivables	8,864	8,771
Inventories	2,552	2,865
Prepaid rent	3,335	3,575
Income tax receivable	3,689	3,304
Prepaid expenses and other current assets	8,534	4,231
Total current assets	31,218	26,942
Property and equipment, net	227,686	270,920
Goodwill	123,484	123,484
Deferred income taxes	31,263	14,377
Other assets	4,146	5,842
Total assets	\$417,797	\$441,565
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$96	\$89
Accounts payable	19,126	16,165
Accrued payroll, related taxes and benefits	11,535	12,275
Accrued real estate taxes	6,881	6,924
Other liabilities	21,116	11,316
Total current liabilities	58,754	46,769
Long-term debt, net of current portion	62,350	71,423
Lease financing obligations	—	1,664
Deferred income—sale-leaseback of real estate	24,365	27,165
Other liabilities	30,836	30,369
Total liabilities	176,305	177,390
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.01; authorized 100,000,000 shares, issued 27,087,447 and 26,884,992 shares, respectively, and outstanding 26,846,809 and 26,755,640 shares, respectively.	268	267
Additional paid-in capital	166,044	163,204
Retained earnings	75,180	100,704
Total stockholders' equity	241,492	264,175
Total liabilities and stockholders' equity	\$417,797	\$441,565

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

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FIESTA RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE AND NINE MONTHS ENDED OCTOBER 1, 2017 AND OCTOBER 2, 2016
(In thousands of dollars, except share and per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 1, 2017	October 2, 2016	October 1, 2017	October 2, 2016
Revenues:				
Restaurant sales	\$ 158,100	\$ 181,592	\$ 505,082	\$ 538,366
Franchise royalty revenues and fees	591	664	1,840	2,099
Total revenues	158,691	182,256	506,922	540,465
Costs and expenses:				
Cost of sales	49,151	54,726	150,827	163,383
Restaurant wages and related expenses (including stock-based compensation expense of \$9, \$35, \$44 and \$111, respectively)	44,649	47,503	139,050	139,536
Restaurant rent expense	9,104	9,488	27,881	27,522
Other restaurant operating expenses	24,856	25,715	73,560	72,366
Advertising expense	5,885	7,506	17,716	21,507
General and administrative (including stock-based compensation expense of \$938, \$330, \$2,723 and \$2,523, respectively)	12,065	14,520	47,213	42,621
Depreciation and amortization	8,483	9,513	26,265	26,474
Pre-opening costs	544	1,509	1,878	4,707
Impairment and other lease charges	15,905	18,513	59,081	18,607
Other expense (income), net	461	—	1,259	(238)
Total operating expenses	171,103	188,993	544,730	516,485
Income (loss) from operations	(12,412)	(6,737)	(37,808)	23,980
Interest expense	672	542	1,910	1,635
Income (loss) before income taxes	(13,084)	(7,279)	(39,718)	22,345
Provision for (benefit from) income taxes	(4,827)	(2,748)	(14,241)	8,065
Net income (loss)	\$(8,257)	\$(4,531)	\$(25,477)	\$ 14,280
Basic net income (loss) per share	\$(0.31)	\$(0.17)	\$(0.95)	\$ 0.53
Diluted net income (loss) per share	\$(0.31)	\$(0.17)	\$(0.95)	\$ 0.53
Basic weighted average common shares outstanding	26,845,568	26,716,219	26,811,610	26,658,739
Diluted weighted average common shares outstanding	26,845,568	26,716,219	26,811,610	26,665,091

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

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FIESTA RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
NINE MONTHS ENDED OCTOBER 1, 2017 AND OCTOBER 2, 2016
(In thousands of dollars, except share amounts)
(Unaudited)

	Number of Common Stock Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
Balance at January 3, 2016	26,571,602	\$ 266	\$ 159,724	\$ 83,992	\$ 243,982
Stock-based compensation	—	—	2,634	—	2,634
Vesting of restricted shares	174,410	1	(1)	—	—
Tax deficiency from stock-based compensation			(9)		(9)
Net income	—	—	—	14,280	14,280
Balance at October 2, 2016	26,746,012	\$ 267	\$ 162,348	\$ 98,272	\$ 260,887
Balance at January 1, 2017	26,755,640	\$ 267	\$ 163,204	\$ 100,704	\$ 264,175
Stock-based compensation	—	—	2,767	—	2,767
Vesting of restricted shares	91,169	1		—	1