

Fiesta Restaurant Group, Inc.
Form 10-Q
July 30, 2015
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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 June 28, 2015
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	90-0712224
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
14800 Landmark Boulevard, Suite 500 Addison, Texas	75254
(Address of principal executive office)	(Zip Code)
Registrant's telephone number, including area code: (972) 702-9300	

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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

(Do not check if 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

As of July 24, 2015, Fiesta Restaurant Group, Inc. had 26,831,201 shares of its common stock, \$.01 par value, outstanding.

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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)

	June 28, 2015	December 28, 2014
ASSETS		
Current assets:		
Cash	\$5,519	\$5,087
Trade receivables	9,229	6,340
Inventories	2,529	2,719
Prepaid rent	2,964	2,894
Income tax receivable	1,759	4,974
Prepaid expenses and other current assets	4,372	3,166
Deferred income taxes	2,925	2,925
Total current assets	29,297	28,105
Property and equipment, net	218,589	191,371
Goodwill	123,484	123,484
Deferred income taxes	11,055	11,055
Deferred financing costs, net	1,079	1,233
Other assets	2,696	2,708
Total assets	\$386,200	\$357,956
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$36	\$61
Accounts payable	12,337	10,151
Accrued payroll, related taxes and benefits	13,336	15,857
Accrued real estate taxes	4,090	5,044
Other liabilities	8,897	8,310
Total current liabilities	38,696	39,423
Long-term debt, net of current portion	72,264	67,264
Lease financing obligations	1,662	1,660
Deferred income—sale-leaseback of real estate	31,899	34,079
Other liabilities	17,290	15,943
Total liabilities	161,811	158,369
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.01; authorized 100,000,000 shares, issued 26,831,604 and 26,782,945 shares, respectively, and outstanding 26,531,479 and 26,358,448 shares, respectively.	265	264
Additional paid-in capital	156,918	153,867
Retained earnings	67,206	45,456
Total stockholders' equity	224,389	199,587
Total liabilities and stockholders' equity	\$386,200	\$357,956

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 SIX MONTHS ENDED JUNE 28, 2015 AND JUNE 29, 2014
 (In thousands of dollars, except share and per share amounts)
 (Unaudited)

	Three Months Ended		Six Months Ended	
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014
Revenues:				
Restaurant sales	\$ 171,268	\$ 153,515	\$ 334,326	\$ 298,340
Franchise royalty revenues and fees	632	670	1,449	1,281
Total revenues	171,900	154,185	335,775	299,621
Costs and expenses:				
Cost of sales	54,223	48,960	105,346	94,489
Restaurant wages and related expenses (including stock-based compensation expense of \$40, \$21, \$107, and \$30, respectively)	42,383	39,116	82,973	75,622
Restaurant rent expense	8,048	7,374	16,055	14,578
Other restaurant operating expenses	21,362	19,466	41,221	37,351
Advertising expense	5,144	4,676	10,698	10,095
General and administrative (including stock-based compensation expense of \$1,055, \$1,058, \$1,929, and \$1,770, respectively)	13,624	12,132	27,388	24,283
Depreciation and amortization	7,401	5,578	14,248	10,923
Pre-opening costs	1,211	1,188	2,162	1,871
Impairment and other lease charges	—	32	94	17
Other (income) expense	(142)	) —	(514)	) (6)
Total operating expenses	153,254	138,522	299,671	269,223
Income from operations	18,646	15,663	36,104	30,398
Interest expense	414	568	852	1,171
Income before income taxes	18,232	15,095	35,252	29,227
Provision for income taxes	6,983	5,781	13,502	11,194
Net income	\$ 11,249	\$ 9,314	\$ 21,750	\$ 18,033
Basic net income per share	\$0.42	\$0.35	\$0.81	\$0.67
Diluted net income per share	\$0.42	\$0.35	\$0.81	\$0.67
Basic weighted average common shares outstanding	26,490,673	26,271,116	26,462,919	26,236,432
Diluted weighted average common shares outstanding	26,497,658	26,271,116	26,470,130	26,236,713

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

SIX MONTHS ENDED JUNE 28, 2015 AND JUNE 29, 2014

(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 December 29, 2013	26,082,800	\$ 261	\$ 148,765	\$ 9,280	\$ 158,306	
Stock-based compensation	—	—	1,800	—	1,800	
Vesting of restricted shares and related tax benefit	235,669	2	1,313	—	1,315	
Share issuance costs	—	—	(30) —	(30)
Net income	—	—	—	18,033	18,033	
Balance at June 29, 2014	26,318,469	\$ 263	\$ 151,848	\$ 27,313	\$ 179,424	
Balance at December 28, 2014	26,358,448	\$ 264	\$ 153,867	\$ 45,456	\$ 199,587	
Stock-based compensation	—	—	2,036	—	2,036	
Vesting of restricted shares and related tax benefit	173,031	1	1,015	—	1,016	
Net income	—	—	—	21,750	21,750	
Balance at June 28, 2015	26,531,479	\$ 265	\$ 156,918	\$ 67,206	\$ 224,389	

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 CASH FLOWS
 SIX MONTHS ENDED JUNE 28, 2015 AND JUNE 29, 2014
 (In thousands of dollars)
 (Unaudited)

	Six Months Ended	
	June 28, 2015	June 29, 2014
Cash flows from operating activities:		
Net income	\$21,750	\$18,033
Adjustments to reconcile net income to net cash provided from operating activities:		
Loss (gain) on disposals of property and equipment	(271	) 98
Stock-based compensation	2,036	1,800
Impairment and other lease charges	94	17
Depreciation and amortization	14,248	10,923
Amortization of deferred financing costs	154	154
Amortization of deferred gains from sale-leaseback transactions	(1,812	) (1,838)
Deferred income taxes	—	(160)
Changes in other operating assets and liabilities	(1,997	) (3,082)
Net cash provided from operating activities	34,202	25,945
Cash flows from investing activities:		
Capital expenditures:		
New restaurant development	(33,462	) (26,604)
Restaurant remodeling	(1,526	) (4,350)
Other restaurant capital expenditures	(2,679	) (2,639)
Corporate and restaurant information systems	(2,233	) (2,431)
Total capital expenditures	(39,900	) (36,024)
Proceeds from sale-leaseback transactions	—	