

Ruths Hospitality Group, Inc.
Form 10-Q
May 08, 2009
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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 29, 2009

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 000-51485

Ruth s Hospitality Group, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

72-1060618
(I.R.S. Employer
Identification No.)

500 International Parkway, Heathrow, FL
(Address of principal executive offices)

32746
(Zip code)

(407) 333-7440

Registrant's telephone number, including area code

Former name, former address and former fiscal year, if changed since last report.

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 definition of "accelerated filer," "large 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 ☐
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock as of May 8, 2009 was 24,186,964.

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Table of Contents**PART 1 FINANCIAL INFORMATION****ITEM 1 FINANCIAL STATEMENTS****RUTH S HOSPITALITY GROUP, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets****(dollar amounts in thousands, except share and per share data)**

	December 28, 2008	March 29, 2009 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,876	\$ 3,723
Accounts receivable, less allowance for doubtful accounts 2008 - \$597; 2009 - \$598 (unaudited)	13,367	11,663
Inventory	8,630	7,240
Assets held for sale	10,500	10,688
Prepaid expenses and other	3,426	3,712
Deferred income taxes	1,809	1,696
Total current assets	41,608	38,722
Property and equipment, net of accumulated depreciation 2008 - \$66,204; 2009 - \$70,098 (unaudited)	130,380	125,918
Goodwill	24,320	24,320
Franchise rights	37,323	37,323
Trademarks	13,918	13,918
Other intangibles, net of accumulated amortization 2008 - \$753; 2009 - \$883 (unaudited)	8,472	8,342
Deferred income taxes	34,700	35,356
Other assets	2,798	4,348
Total assets	\$ 293,519	\$ 288,247
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,079	\$ 11,341
Accrued payroll	9,524	9,383
Accrued expenses	7,784	6,330
Deferred revenue	29,421	24,285
Accrued restructuring	6,433	5,639
Other current liabilities	3,965	3,794
Total current liabilities	67,206	60,772
Long-term debt	160,250	157,250
Deferred rent	21,047	21,307
Other liabilities	7,873	7,455
Total liabilities	256,376	246,784
Shareholders' equity (deficit):		
Common stock, par value \$.01 per share; 100,000,000 shares authorized, 23,452,986 shares issued and outstanding at December 28, 2008; 23,551,014 shares issued and outstanding at March 29, 2009	235	235
Additional paid-in capital	171,388	171,963

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Accumulated deficit	(134,480)	(130,735)
Treasury stock, at cost; 71,950 shares at December 28, 2008 and March 29, 2009		
Commitments and contingencies (Note 6)		
Total shareholders' equity	37,143	41,463
Total liabilities and shareholders' equity	\$ 293,519	\$ 288,247

See accompanying notes to condensed consolidated financial statements.

Table of Contents**RUTH S HOSPITALITY GROUP, INC AND SUBSIDIARIES****Condensed Consolidated Statements of Income - Unaudited****(dollar amounts in thousands, except share and per share data)**

	13 Weeks Ending	
	March 30, 2008	March 29, 2009
Revenues:		
Restaurant sales	\$ 94,956	\$ 94,656
Franchise income	3,327	2,704
Other operating income	300	186
Total revenues	98,583	97,546
Costs and expenses:		
Food and beverage costs	30,387	27,678
Restaurant operating expenses	45,534	50,637
Marketing and advertising	2,588	2,506
General and administrative costs	6,919	5,609
Depreciation and amortization expenses	3,547	4,095
Pre-opening costs	349	16
Loss on the disposal of property and equipment, net		144
Operating income	9,259	6,861
Other income (expense):		
Interest expense, net	(3,208)	(2,285)
Other	332	152
Income from continuing operations before income tax expense	6,383	4,728
Income tax expense	1,851	948
Income from continuing operations	4,532	3,780
Loss on discontinued operations, net of income tax benefit	1	35
Net income	\$ 4,531	\$ 3,745
Basic earnings per share:		
Continuing operations	\$ 0.20	\$ 0.16
Discontinued operations		
Basic earnings per share	\$ 0.20	\$ 0.16
Diluted earnings per share:		
Continuing operations	\$ 0.19	\$ 0.16
Discontinued operations		

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Diluted earnings per share	\$	0.19	\$	0.16
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Shares used in computing net income per common share:

Basic	23,225,900	23,484,200
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Diluted	23,392,282	23,558,433
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See accompanying notes to condensed consolidated financial statements.

Table of Contents**RUTH S HOSPITALITY GROUP, INC AND SUBSIDIARIES****Condensed Consolidated Statements of Cash Flows - Unaudited**

(dollar amounts in thousands)

	13 Weeks Ending	
	March 30, 2008	March 29, 2009
Cash flows from operating activities:		
Net income	\$ 4,531	\$ 3,745
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,547	4,095
Deferred income taxes	(222)	(543)
Non-cash interest expense	45	518
Loss on the disposal of property and equipment, net		144
Amortization of below market lease		50
Non-cash compensation expense	334	570
Changes in operating assets and liabilities:		
Accounts receivable	(969)	1,704
Inventories	912	1,390
Prepaid expenses and other	(920)	(286)
Other assets	322	89
Accounts payable and accrued expenses	7,565	258
Deferred revenue	(3,806)	(5,136)
Deferred rent	1,656	260
Other liabilities	817	(418)
Net cash provided by (used in) operating activities	13,812	6,440
Cash flows from investing activities:		
Acquisition of property and equipment	(10,253)	(1,442)
Acquisition of Mitchells	(93,004)	
Net cash provided by (used in) investing activities	(103,257)	(1,442)
Cash flows from financing activities:		
Principal repayments on long-term debt	(18,000)	(3,000)
Proceeds from long-term debt	100,000	
Income tax benefits credited to equity upon exercise of stock options	59	2
Proceeds from exercise of stock options	11	3
Deferred financing costs	(954)	(2,156)
Net cash provided by (used in) financing activities	81,116	(5,151)
Net increase (decrease) in cash and cash equivalents	(8,329)	(153)
Cash and cash equivalents at beginning of period	12,311	3,876
Cash and cash equivalents at end of period	\$ 3,982	\$ 3,723

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Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest	\$	1,987	\$	2,092
Income taxes		95		15

See accompanying notes to condensed consolidated financial statements.

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Notes to Condensed Consolidated Financial Statements

(dollar amounts in thousands, except share and per share data)

(1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Ruth s Hospitality Group, Inc. and its subsidiaries (together, the Company) as of March 29, 2009 and December 28, 2008 and for the quarters ended March 29, 2009 and March 30, 2008 have been prepared by the Company, pursuant to the rules and regulations of the SEC.

The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments), which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. The interim results of operations for the fiscal quarters ended March 29, 2009 and March 30, 2008 are not necessarily indicative of the results that may be achieved for the full year. Certain information and footnote disclosures normally presented in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended December 28, 2008.

The Company operates on a 52 or 53-week fiscal year ending on the last Sunday in December. The fiscal quarters ended March 29, 2009 and March 30, 2008 each contained 13 weeks and are referred to herein as the first quarter of fiscal 2009 and the first quarter of fiscal 2008, respectively.

Estimates Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reporting of revenue and expenses during the period to prepare these condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, goodwill, franchise rights, trademarks and obligations related to workers compensation and medical insurance. Actual results could differ from those estimates.

Reclassifications Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on previously reported net income. Specifically, certain items in other assets were reclassified to other intangibles.

(2) Acquisition of Mitchell s Fish Market and Cameron s Steakhouse

On February 19, 2008, the Company completed the acquisition of all of the operating assets and intellectual property of Mitchell s Fish Market, operating under the names of Mitchell s Fish Market and Columbus Fish Market, and Cameron s Steakhouse, operating under the names of Cameron s Steakhouse and Mitchell s Steakhouse from Cameron Mitchell Restaurants, LLC (CMR). There are 19 operating Mitchell s Fish Markets and three operating Cameron s Steakhouses.

The aggregate purchase price for Mitchell s Fish Market and Cameron s Steakhouse was \$93.0 million, including capitalized transaction costs. Capitalized transaction costs related to the purchase were \$1.0 million and are included in goodwill. The acquisition was funded with cash on hand and borrowings under the Company s credit facility. The total cost of the acquisition has been allocated to the assets acquired in accordance with SFAS No. 141 *Business Combinations*. The below table summarizes the allocation of proceeds paid to the seller as well as acquisition costs.

Inventory	\$ 1,073
Property, plant and equipment	40,947
Goodwill (non-amortizable)	22,815
Trademarks (non-amortizable)	25,900