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Fiesta Restaurant Group, Inc.

Form 10-Q

May 07, 2018

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 10-Q**

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

For the quarterly period ended April 1, 2018

OR

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

Commission File Number: 001-35373

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**FIESTA RESTAURANT GROUP, INC.**

(Exact name of Registrant as specified in its charter)

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<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>90-0712224</b> (I.R.S. Employer Identification No.)
<b>14800 Landmark Boulevard, Suite 500</b> <b>Dallas, Texas</b> (Address of principal executive office)	<b>75254</b> (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 May 1, 2018, Fiesta Restaurant Group, Inc. had 27,252,222 shares of its common stock, \$.01 par value, outstanding.

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QUARTER ENDED APRIL 1, 2018**

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	<b>April 1, 2018</b>	<b>December 31, 2017</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$3,791	\$ 3,599
Trade receivables	11,011	9,830
Inventories	2,688	2,880
Prepaid rent	—	3,300
Income tax receivable	11,023	11,334
Prepaid expenses and other current assets	8,601	10,105
Total current assets	37,114	41,048
Property and equipment, net	235,038	234,561
Goodwill	123,484	123,484
Deferred income taxes	15,884	17,232
Other assets	7,564	6,988
Total assets	\$419,084	\$ 423,313
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 104	\$ 98
Accounts payable	14,152	20,293
Accrued payroll, related taxes and benefits	11,904	11,776
Accrued real estate taxes	2,612	5,860
Other liabilities	19,619	21,817
Total current liabilities	48,391	59,844
Long-term debt, net of current portion	81,718	76,425
Deferred income—sale-leaseback of real estate	22,564	23,466
Other liabilities	30,114	32,062
Total liabilities	182,787	191,797
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.01; authorized 100,000,000 shares, issued 27,253,103 and 27,086,958 shares, respectively, and outstanding 26,905,630 and 26,847,458 shares, respectively.	269	268
Additional paid-in capital	167,711	166,823
Retained earnings	68,666	64,425
Treasury stock, at cost; 18,406 shares	(349)	—
Total stockholders' equity	236,297	231,516
Total liabilities and stockholders' equity	\$419,084	\$ 423,313

*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 MONTHS ENDED APRIL 1, 2018 AND APRIL 2, 2017**  
(In thousands of dollars, except share and per share amounts)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>April 1, 2018</b>	<b>April 2, 2017</b>
Revenues:		
Restaurant sales	\$ 168,833	\$ 174,977
Franchise royalty revenues and fees	651	630
Total revenues	169,484	175,607
Costs and expenses:		
Cost of sales	53,565	50,948
Restaurant wages and related expenses (including stock-based compensation expense of \$17 and \$109, respectively)	46,483	48,132
Restaurant rent expense	8,892	9,862
Other restaurant operating expenses	23,450	24,068
Advertising expense	6,213	7,539
General and administrative (including stock-based compensation expense of \$872 and \$537, respectively)	14,919	15,698
Depreciation and amortization	8,999	9,186
Pre-opening costs	381	424
Impairment and other lease charges	(662)	) 32,414
Other expense (income), net	366	454
Total operating expenses	162,606	198,725
Income (loss) from operations	6,878	(23,118 )
Interest expense	1,069	584
Income (loss) before income taxes	5,809	(23,702 )
Provision for (benefit from) income taxes	1,625	(8,642 )
Net income (loss)	\$4,184	\$(15,060 )
Basic net income (loss) per share	\$0.15	\$(0.56 )
Diluted net income (loss) per share	\$0.15	\$(0.56 )
Basic weighted average common shares outstanding	26,874,016	26,774,103
Diluted weighted average common shares outstanding	26,879,831	26,774,103

*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**  
**THREE MONTHS ENDED APRIL 1, 2018 AND APRIL 2, 2017**  
(In thousands of dollars, except share amounts)  
(Unaudited)

	Number of Common Stock Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance at January 1, 2017	26,755,640	\$ 267	\$ 163,204	\$ 100,704	\$ —	\$ 264,175
Stock-based compensation	—	—	646	—	—	646
Vesting of restricted shares	31,565	1	—	—	—	1
Cumulative effect of adopting a new accounting standard	—	—	73	(47 )	—	26
Net loss	—	—	—	(15,060 )	—	(15,060 )
Balance at April 2, 2017	26,787,205	\$ 268	\$ 163,923	\$ 85,597	\$ —	\$ 249,788
Balance at December 31, 2017	26,847,458	\$ 268	\$ 166,823	\$ 64,425	\$ —	\$ 231,516
Stock-based compensation	—	—	889	—	—	889
Vesting of restricted shares	76,578	1	(1 )	—	—	—
Cumulative effect of adopting a new accounting standard (Note 1)	—	—	—	57	—	57
Purchase of treasury stock	(18,406 )	—	—	—	(349 )	(349 )
Net income	—	—	—	4,184	—	4,184
Balance at April 1, 2018	26,905,630	\$ 269	\$ 167,711	\$ 68,666	\$ (349 )	\$ 236,297

*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**  
**THREE MONTHS ENDED APRIL 1, 2018 AND APRIL 2, 2017**  
(In thousands of dollars)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>April 1, 2018</b>	<b>April 2, 2017</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$4,184	\$(15,060)
<b>Adjustments to reconcile net income to net cash provided from operating activities:</b>		
Loss on disposals of property and equipment	129	838
Stock-based compensation	889	646
Impairment and other lease charges	(662 )	32,414
Depreciation and amortization	8,999	9,186
Amortization of deferred financing costs	68	77
Amortization of deferred gains from sale-leaseback transactions	(899 )	(901 )
Deferred income taxes	1,348	(11,848 )
Changes in other operating assets and liabilities	(5,167 )	(3,140 )
Net cash provided from operating activities	8,889	12,212
<b>Cash flows from investing activities:</b>		
<b>Capital expenditures:</b>		
New restaurant development	(4,765 )	(8,571 )
Restaurant remodeling	(333 )	(217 )
Other restaurant capital expenditures	(5,895 )	(1,689 )
Corporate and restaurant information systems	(4,175 )	(1,197 )
Total capital expenditures	(15,168 )	(11,674 )
Proceeds from disposals of properties	1,813	—
Proceeds from insurance recoveries	180	—
Net cash used in investing activities	(13,175 )	(11,674 )
<b>Cash flows from financing activities:</b>		
Borrowings on revolving credit facility	15,000	5,000
Repayments on revolving credit facility	(10,000)	(2,000 )
Principal payments on capital leases	(23 )	(22 )
Financing costs associated with issuance of debt	(150 )	—
Payments to purchase treasury stock	(349 )	—
Net cash provided from financing activities	4,478	2,978
Net increase in cash	192	3,516
Cash, beginning of period	3,599	4,196
Cash, end of period	\$3,791	\$7,712
<b>Supplemental disclosures:</b>		
Interest paid on long-term debt	\$516	\$522
Interest paid on lease financing obligations	—	36
Accruals for capital expenditures	3,428	6,754
Income tax payments (refunds), net	(17 )	86
Capital lease obligat		