BJs RESTAURANTS INC
Form 10-Q
August 04, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 28, 2016

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 0-21423

BJ S RESTAURANTS, INC.

(Exact name of registrant as specified in its charter)

California	**33-0485615**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

7755 Center Avenue, Suite 300

Huntington Beach, California 92647

(714) 500-2400

(Address, including zip code, and telephone number, including

area code, of registrant s principal executive offices)

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 þ No ¨.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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 þ 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):

þ	Large accelerated filer	¨	Accelerated filer
¨	Non-accelerated filer (do not check if smaller reporting company)	¨	Smaller reporting company

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

As of August 2, 2016, there were 24,173,775 shares of Common Stock of the Registrant outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

BJ S RESTAURANTS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands)

	June 28, 2016 (unaudited)	December 29, 2015
Assets		
Current assets:		
Cash and cash equivalents	$22,930	$34,604
Accounts and other receivables, net	13,614	25,364
Inventories, net	9,493	8,893
Prepaid expenses and other current assets	5,191	7,171
Deferred income taxes	16,971	16,971
Total current assets	68,199	93,003
Property and equipment, net	583,582	561,832
Goodwill	4,673	4,673
Other assets, net	23,502	22,157
Total assets	$679,956	$681,665
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$31,851	$33,033
Accrued expenses	82,452	83,861
Total current liabilities	114,303	116,894
Deferred income taxes	50,995	46,669
Deferred rent	29,097	27,627
Deferred lease incentives	53,549	53,837
Long-term debt	91,000	100,500
Other liabilities	18,995	19,655
Total liabilities	357,939	365,182
Commitments and contingencies		

Shareholders equity:		
Preferred stock, 5,000 shares authorized, none issued or outstanding		
Common stock, no par value, 125,000 shares authorized and 24,165 and 24,672 shares issued and outstanding as of June 28, 2016 and December 29, 2015, respectively		7,367
Capital surplus	64,877	63,290
Retained earnings	257,140	245,826
Total shareholders equity	322,017	316,483
Total liabilities and shareholders equity	$679,956	$681,665

See accompanying notes to unaudited consolidated financial statements.

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BJ S RESTAURANTS, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	For The Thirteen Weeks Ended		For The Twenty-Six Weeks Ended	
	June 28, 2016	June 30, 2015	June 28, 2016	June 30, 2015
Revenues	$250,328	$232,013	$493,729	$457,082
Costs and expenses:				
Cost of sales	62,569	57,059	123,209	113,230
Labor and benefits	85,981	78,796	170,759	158,491
Occupancy and operating	50,144	47,677	99,217	94,267
General and administrative	13,767	13,585	28,129	27,078
Depreciation and amortization	16,040	14,554	31,638	28,915
Restaurant opening	1,559	2,120	2,998	3,404
Loss on disposal and impairment of assets	707	641	1,456	1,024
Legal and other settlements			369	
Total costs and expenses	230,767	214,432	457,775	426,409
Income from operations	19,561	17,581	35,954	30,673
Other expense:				
Interest expense, net	(369)	(268)	(756)	(509)
Other income, net	38	145	435	481
Total other expense	(331)	(123)	(321)	(28)
Income before income taxes	19,230	17,458	35,633	30,645
Income tax expense	5,441	5,020	10,200	8,592
Net income	$13,789	$12,438	$25,433	$22,053
Net income per share:				
Basic	$0.57	$0.48	$1.05	$0.84
Diluted	$0.56	$0.47	$1.03	$0.83

Weighted average number of shares outstanding:				
Basic	24,146	25,969	24,212	26,140
Diluted	24,574	26,498	24,638	26,711

See accompanying notes to unaudited consolidated financial statements.

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BJ S RESTAURANTS, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For The Twenty-Six Weeks Ended	
	June 28, 2016	**June 30, 2015**
Cash flows from operating activities:		
Net income	$25,433	$22,053
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,638	28,915
Deferred income taxes	4,326	2,239
Stock-based compensation expense	3,106	2,528
Loss on disposal and impairment of assets	1,456	1,024
Changes in assets and liabilities:		
Accounts and other receivables	10,421	1,677
Landlord contribution for tenant improvements	1,329	(3,947)
Inventories	(600)	(11)
Prepaid expenses and other current assets	1,466	1,825
Other assets	(2,082)	(2,269)
Accounts payable	(4,662)	(5,044)
Accrued expenses	(1,409)	1,891
Deferred rent	1,470	1,697
Deferred lease incentives	(288)	3,339
Other liabilities	(660)	555
Net cash provided by operating activities	70,944	56,472
Cash flows from investing activities:		
Purchases of property and equipment	(49,951)	(38,903)
Net cash used in investing activities	(49,951)	(38,903)
Cash flows from financing activities:		
Borrowings on line of credit	470,000	170,200
Payments on line of credit	(479,500)	(153,500)
Excess tax benefit from stock-based compensation	267	2,652
Taxes paid on vested stock units under employee plans	(196)	(153)
Proceeds from exercise of stock options	1,292	4,550
Repurchases of common stock	(24,530)	(46,545)
Net cash used in financing activities	(32,667)	(22,796)

Net decrease in cash and cash equivalents	(11,674)	(5,227)
Cash and cash equivalents, beginning of period	34,604	30,683
Cash and cash equivalents, end of period	$22,930	$25,456
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$5,430	$9,355
Cash paid for interest, net of capitalized interest	$655	$400
Supplemental disclosure of non-cash investing and financing activities:		
Fixed assets acquired by accounts payable	$14,395	$17,453
Stock-based compensation capitalized	$162	$126

See accompanying notes to unaudited consolidated financial statements.

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BJ S RESTAURANTS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of BJ s Restaurants, Inc. (referred to herein as the Company or we, us and our) and our wholly owned subsidiaries. The financial statements presented herein include all material adjustments which are, in the opinion of management, necessary for a fair presentation of the statements of the financial condition, results of operations and cash flows for the period. Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The preparation of financial statements in accordance with U.S. GAAP requires us to make certain estimates and assumptions for the reporting periods covered by the financial statements. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses. Actual amounts could differ from these estimates.

Certain information and footnote disclosures normally included in consolidated financial statements in accordance with U.S. GAAP have been omitted pursuant to the U.S. Securities and Exchange Commission (SEC) rules. A description of our accounting policies and other financial information is included in our audited consolidated financial statements filed with the SEC on Form 10-K for the year ended December 29, 2015. The disclosures included in our accompanying interim financial statements and footnotes should be read in conjunction with our consolidated financial statements and notes thereto included in the Annual Report on Form 10-K.

Recently Issued Accounting Standards

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-15, Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern (Subtopic 205-40). This update requires management to evaluate whether there are conditions or events that raise substantial doubt about an entity s ability to continue as a going concern within one year after the financial statements are issued. Management must disclose any doubts about the Company s ability to continue as a going concern and whether its plans alleviate that doubt. We are required to make this evaluation for annual periods ending after December 15, 2016, and for interim periods beginning after December 15, 2016. Early adoption is permitted. The adoption of ASU 2014-15 is not expected to have a material impact on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, Inventory: Simplifying the Measurement of Inventory (Topic 330). This update provides guidance on the subsequent measurement of inventory, which changes the measurement from lower of cost or market to the lower of cost or net realizable value. This update defines net realizable value as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective for annual and interim periods beginning after December 15, 2016. The adoption of this update is not expected to have a material impact on our consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes (Topic 740). This update requires deferred tax liabilities and assets to be reflected as noncurrent in a classified balance sheet. This update is effective for annual and interim periods beginning after December 15, 2016, and early adoption is permitted. Other than the revised balance sheet presentation of deferred tax liabilities and assets, we do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10). Among other requirements, this guidance requires separate presentation of financial assets and financial liabilities by measurement category and form within the balance sheet. This presentation provides financial statement users with more decision-useful information about an entity s involvement in financial instruments. ASU 2016-01 is effective for annual and interim reporting periods beginning after December 15, 2017. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This guidance requires the recognition of most leases on the balance sheet to give investors, lenders, and other financial statement users a more comprehensive view of a company s long-term financial obligations as well as the assets it owns versus leases.

ASU 2016-02 will be effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Currently, all of our restaurant and our restaurant support center leases are accounted for as operating leases, and therefore are not recorded within our balance sheet. We are currently evaluating the impact that this guidance will have on our consolidated financial statements as well as the expected adoption method.

In March 2016, the FASB issued ASU 2016-04, Recognition of Breakage for Certain Prepaid Stored-Value Products (Subtopic 405-20). This guidance defines the liabilities related to the sale of prepaid stored-value products as financial liabilities and requires that breakage for those liabilities be accounted for consistent with the breakage guidance in Topic 606 (Principal versus Agent Considerations). ASU 2016-04 is effective for annual and interim reporting periods beginning after December 15, 2017. We are currently evaluating the impact that this guidance will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers Topic 606 (Principal versus Agent Considerations). This update clarifies revenue recognition guidance related to the determination of whether an entity is a principal or an agent in a revenue transaction. The guidance requires an entity to determine whether the nature of its promise is to provide goods or services to its customer (the entity is a principal) or to arrange for goods or services to be provided to the customer by other parties (the entity is an agent). This determination is based upon whether the entity controls the goods or the services before it is transferred to the customer. An entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2016-08 is effective for annual and interim reporting periods beginning after December 15, 2017, and early application is permitted. We are currently evaluating the impact this standard will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718). This guidance will change how companies account for certain aspects of share-based payments to employees. Companies will be required to recognize the difference between the estimated and the actual tax impact of awards within the income statement when the awards vest or are settled, and additional paid-in capital (APIC) pools will be eliminated. This ASU also impacts the classification of awards as either equity or liabilities and the classification of share-based transactions within the statement of cash flows. ASU 2016-09 is effective for annual and interim reporting periods beginning after December 15, 2016, and early adoption is permitted. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In April 2016, the FASB issued ASU 2016-10, an amendment to ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services and expands related disclosure requirements. ASU 2016-10 clarifies ASU 2014-10 to address the potential for diversity in practice at the adoption. ASU 2016-10 is effective for annual and interim reporting periods beginning after December 15, 2017, and early application is permitted. We are currently evaluating the impact this standard will have on our consolidated financial statements as well as the expected adoption method.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments Credit Losses (Topic 326). This guidance requires a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis