

CARROLS RESTAURANT GROUP, INC.
Form 10-Q
August 10, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended July 1, 2012

OR

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

Commission File Number: 001-33174

CARROLS RESTAURANT GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware 16-1287774
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

968 James Street 13203
Syracuse, New York (Zip Code)
(Address of principal executive office)

Registrant's telephone number, including area code: (315) 424-0513

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 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 August 3, 2012, Carrols Restaurant Group, Inc. had 23,677,820 shares of its common stock, \$.01 par value, outstanding.

Table of Contents

CARROLS RESTAURANT GROUP, INC.
 FORM 10-Q
 QUARTER ENDED JULY 1, 2012

	Page
 <u>PART I FINANCIAL INFORMATION</u>	
Item 1 <u>Interim Consolidated Financial Statements (Unaudited) - Carrols Restaurant Group, Inc.:</u>	
<u>Consolidated Balance Sheets as of July 1, 2012 and January 1, 2012</u>	3
<u>Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three and Six Months ended July 1, 2012 and July 3, 2011</u>	4
<u>Consolidated Statements of Changes in Stockholders' Equity</u>	5
<u>Consolidated Statements of Cash Flows for the Six Months ended July 1, 2012 and July 3, 2011</u>	6
<u>Notes to Unaudited Consolidated Financial Statements</u>	7
Item 2 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	29
Item 4 <u>Controls and Procedures</u>	29
 <u>PART II OTHER INFORMATION</u>	
Item 1 <u>Legal Proceedings</u>	30
Item 1A <u>Risk Factors</u>	30
Item 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	41
Item 3 <u>Default Upon Senior Securities</u>	41
Item 4 <u>Mine Safety Disclosures</u>	41
Item 5 <u>Other Information</u>	41
Item 6 <u>Exhibits</u>	42

Table of Contents

PART I—FINANCIAL INFORMATION

ITEM 1—INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CARROLS RESTAURANT GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars, except per share amounts)

(Unaudited)

	July 1, 2012	January 1, 2012
ASSETS		
Current assets:		
Cash	\$58,048	\$24,661
Trade and other receivables	4,121	6,673
Inventories	6,941	5,601
Prepaid rent	3,007	4,077
Prepaid expenses and other current assets	3,328	5,522
Refundable income taxes	2,554	2,239
Deferred income taxes	3,106	3,484
Total current assets	81,105	52,257
Restricted cash (Note 7)	20,000	—
Property and equipment, net	123,981	190,310
Franchise rights, net (Note 6)	100,110	67,238
Goodwill (Note 6)	1,450	124,934
Franchise agreements, at cost less accumulated amortization of \$6,703 and \$6,504, respectively	14,348	5,225
Deferred financing fees	5,404	8,670
Other assets	3,103	9,758
Total assets	\$349,501	\$458,392
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 7)	\$1,028	\$6,553
Accounts payable	15,069	14,759
Accrued interest	1,641	7,178
Accrued payroll, related taxes and benefits	12,538	21,796
Accrued real estate taxes	3,513	4,812
Other liabilities	8,646	8,779
Total current liabilities	42,435	63,877
Long-term debt, net of current portion (Note 7)	159,899	261,966
Lease financing obligations	1,195	10,064
Deferred income—sale-leaseback of real estate	18,810	37,372
Deferred income taxes	7,609	2,234
Accrued postretirement benefits	1,862	2,055
Other liabilities (Note 9)	11,760	21,667
Total liabilities	243,570	399,235
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, par value \$.01; authorized 20,000,000 shares, issued and outstanding—100 shares and zero, respectively (Note 12)	—	—

Edgar Filing: CARROLS RESTAURANT GROUP, INC. - Form 10-Q

Voting common stock, par value \$.01; authorized—100,000,000 shares, issued—23,176,920 and 22,135,663 shares, respectively, and outstanding—22,742,011 and 21,750,237 shares, respectively		218	
Additional paid-in capital	67,298	6,954	
Retained earnings	37,394	51,041	
Accumulated other comprehensive income	1,153	1,085	
Treasury stock, at cost	(141)	(141))
Total stockholders' equity	105,931	59,157)
Total liabilities and stockholders' equity	\$349,501	\$458,392)

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

3

Table of Contents

CARROLS RESTAURANT GROUP, INC.
 CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
 THREE AND SIX MONTHS ENDED JULY 1, 2012 AND JULY 3, 2011

(In thousands of dollars, except per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	July 1, 2012	July 3, 2011	July 1, 2012	July 3, 2011
Revenues:			—	
Restaurant sales	\$ 122,104	\$ 88,595	\$ 207,554	\$ 170,217
Costs and expenses:				
Cost of sales	38,877	26,497	64,999	50,468
Restaurant wages and related expenses	37,446	27,457	65,314	54,387
Restaurant rent expense	7,979	5,692	13,662	11,402
Other restaurant operating expenses	18,221	13,295		