

CARROLS CORP
Form 10-Q
November 10, 2010
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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 October 3, 2010

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
(State or other jurisdiction of
incorporation or organization)

16-1287774
(I.R.S. Employer
Identification No.)

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

13203
(Zip Code)

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

Commission File Number: 001-06553

CARROLS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

16-0958146
(I.R.S. Employer
Identification Number)

968 James Street
Syracuse, New York
(Address of principal executive offices)

13203
(Zip Code)

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

Carrols Corporation meets the conditions set forth in General Instruction H(1) and is therefore filing this form with reduced disclosure format pursuant to General Instruction H(2).

Indicate by check mark whether either of the registrants (1) have 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 were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrants have 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 registrants are large accelerated filers, accelerated filers, non-accelerated filers or smaller reporting companies. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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(Check one):

Carrols Restaurant Group, Inc.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Carrols Corporation

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether either of the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 5, 2010, Carrols Restaurant Group, Inc. had 21,624,732 shares of its common stock, \$.01 par value, outstanding. As of November 5, 2010, all outstanding equity securities of Carrols Corporation, which consisted of 10 shares of its common stock, were owned by Carrols Restaurant Group, Inc.

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CARROLS RESTAURANT GROUP, INC. AND CARROLS CORPORATION

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	September 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,257	\$ 4,402
Trade and other receivables	6,872	5,971
Inventories	4,988	5,935
Prepaid rent	3,956	3,928
Prepaid expenses and other current assets	5,847	4,835
Refundable income taxes		1,185
Deferred income taxes	4,834	4,834
Total current assets	29,754	31,090
Property and equipment, net	191,892	192,724
Franchise rights, net (Note 4)	71,276	73,674
Goodwill (Note 4)	124,934	124,934
Intangible assets, net	447	543
Franchise agreements, at cost less accumulated amortization of \$6,011 and \$5,854, respectively	5,675	5,924
Deferred income taxes	1,687	1,935
Other assets	8,540	9,153
Total assets	\$ 434,205	\$ 439,977
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 14,918	\$ 12,985
Accounts payable	14,875	15,983
Accrued interest	3,160	6,880
Accrued payroll, related taxes and benefits	17,252	21,454
Accrued income taxes payable	430	
Accrued real estate taxes	4,663	4,780
Other liabilities	10,836	9,061
Total current liabilities	66,134	71,143
Long-term debt, net of current portion (Note 5)	250,568	260,108
Lease financing obligations (Note 9)	10,046	9,999
Deferred income sale-leaseback of real estate	41,224	43,088
Accrued postretirement benefits (Note 8)	1,704	1,914
Other liabilities (Note 7)	22,508	22,321

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Total liabilities	392,184	408,573
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, par value \$.01; authorized 20,000,000 shares, issued and outstanding - none		
Voting common stock, par value \$.01; authorized 100,000,000 shares, issued and outstanding - 21,623,798 and 21,611,607 shares, respectively	216	216
Additional paid-in capital	3,024	1,759
Retained earnings	37,249	27,907
Accumulated other comprehensive income (Note 13)	1,673	1,663
Treasury stock, at cost	(141)	(141)
Total stockholders' equity	42,021	31,404
Total liabilities and stockholders' equity	\$ 434,205	\$ 439,977

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

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	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Revenues:				
Restaurant sales	\$ 201,272	\$ 200,802	\$ 600,080	\$ 605,326
Franchise royalty revenues and fees	353	364	1,165	1,117
Total revenues	201,625	201,166	601,245	606,443
Costs and expenses:				
Cost of sales	60,093	57,662	182,260	175,284
Restaurant wages and related expenses (including stock-based compensation expense of \$21, \$51, \$49 and \$156, respectively)	59,027	59,109	177,772	176,896
Restaurant rent expense	12,035	12,383	36,623	37,217
Other restaurant operating expenses	29,649	29,841	86,986	88,541
Advertising expense	8,856	7,974	23,460	23,552
General and administrative (including stock-based compensation expense of \$402, \$296, \$1,183 and \$899, respectively)	12,022	12,766	37,196	38,682
Depreciation and amortization	8,080	8,080	24,315	23,833
Impairment and other lease charges (Note 3)	191	46	4,092	400
Other income (Note 14)	(400)	(220)	(400)	(799)
Total operating expenses	189,553	187,641	572,304	563,606
Income from operations	12,072	13,525	28,941	42,837
Interest expense	4,693	4,834	14,144	14,908
Income before income taxes	7,379	8,691	14,797	27,929
Provision for income taxes (Note 6)	2,786	3,094	5,455	10,241
Net income	\$ 4,593	\$ 5,597	\$ 9,342	\$ 17,688
Basic net income per share (Note 12)	\$ 0.21	\$ 0.26	\$ 0.43	\$ 0.82
Diluted net income per share (Note 12)	\$ 0.21	\$ 0.26	\$ 0.43	\$ 0.81
Basic weighted average common shares outstanding (Note 12)	21,623,221	21,593,927	21,618,624	21,592,974
Diluted weighted average common shares outstanding (Note 12)	21,777,325	21,844,946	21,819,696	21,740,957

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

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CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

(In thousands of dollars)

(Unaudited)

	2010	2009
Cash flows provided from operating activities:		
Net income	\$ 9,342	\$ 17,688
Adjustments to reconcile net income to net cash provided from operating activities:		