

GRILL CONCEPTS INC
Form 10-Q
November 12, 2008
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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 September 28, 2008

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 No. 0-23326

GRILL CONCEPTS, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

13-3319172
(IRS Employer
Identification No.)

6300 Canoga Avenue, Suite 1700

Los Angeles, California
(Address of principal executive offices)

91367
(Zip code)

(818) 251-7000

(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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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

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 November 3, 2008, the number of outstanding shares of Common Stock of the issuer was 8,807,730.

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GRILL CONCEPTS, INC. AND SUBSIDIARIES

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****GRILL CONCEPTS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	September 28, 2008 (Unaudited)	December 30, 2007
ASSETS		
Current assets:		
Cash	\$ 2,822	\$ 4,887
Inventories	1,146	1,132
Receivables, net of reserve (\$232 in 2008 and 2007)	2,543	1,288
Reimbursable costs receivable	1,480	1,565
Income taxes receivable	1,005	234
Note receivable, current portion	278	15
Deferred income taxes		275
Prepaid expenses and other current assets	1,269	860
Total current assets	10,543	10,256
Furniture, equipment and improvements, net	32,963	24,082
Restricted cash	568	792
Note receivable	365	53
Deferred income taxes		5,964
Liquor licenses	729	729
Goodwill	720	720
Other assets	931	742
Total assets	\$ 46,819	\$ 43,338
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 3,946	\$ 1,861
Accrued expenses	7,366	7,149
Accrued managed outlets operating expenses	1,480	1,565
Litigation claim settlement	1,123	150
Long-term debt, current portion	429	490
Liability for debt extinguishment, current portion	50	50
Total current liabilities	14,394	11,265
Long-term debt	6,473	271
Liability for debt extinguishment		50
Other long-term liabilities	11,760	10,822
Mandatorily Redeemable Series C Convertible Preferred Stock, \$.001 par value; 10,000 shares authorized, 5,000 shares issued and outstanding, net of \$672 assigned to warrants in 2008	4,328	
Total liabilities	36,955	22,408

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Minority interest	826	617
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred Stock, 1,000,000 shares authorized; 0 shares issued and outstanding		
Common Stock, \$.00004 par value; 15,000,000 shares authorized, 8,807,730 and 8,793,530 issued and outstanding in 2008 and 2007, respectively		
Additional paid-in capital	30,610	29,682
Accumulated deficit	(21,572)	(9,369)
Total stockholders' equity	9,038	20,313
Total liabilities, minority interest and stockholders' equity	\$ 46,819	\$ 43,338

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

Table of Contents**GRILL CONCEPTS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(in thousands, except per share data)**

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
Revenues:				
Sales	\$ 16,675	\$ 15,920	\$ 52,299	\$ 49,898
Cost reimbursements	6,889	4,748	19,478	14,216
Management and license fees	846	656	2,228	1,716
Total revenues	24,410	21,324	74,005	65,830
Operating expenses:				
Cost of sales	4,889	4,518	15,054	14,264
Labor	6,293	5,855	19,315	18,041
Restaurant operating	3,124	2,810	9,110	8,089
Occupancy	1,452	1,158	4,232	3,671
Reimbursed costs	6,889	4,748	19,478	14,216
General and administrative	2,352	1,807	6,050	5,175
Depreciation and amortization	1,015	614	2,740	1,716
Preopening costs	857	555	1,573	799
Restructuring Costs	1,697		1,697	
Litigation claim settlement	268		1,048	
Total operating expenses	28,836	22,065	80,297	65,971
Loss from operations	(4,426)	(741)	(6,292)	(141)
Interest, net	(173)	(7)	(320)	(192)
Loss before benefit (provision) for income taxes and minority interest	(4,599)	(748)	(6,612)	(333)
Benefit (provision) for income taxes	(6,304)	296	(5,469)	131
Loss before minority interest	(10,903)	(452)	(12,081)	(202)
Minority interest in net profit of subsidiaries	(169)	(137)	(122)	(239)
Net loss	(11,072)	(589)	(12,203)	(441)
Preferred dividends accrued				(6)
Net loss applicable to common stock	\$ (11,072)	\$ (589)	\$ (12,203)	\$ (447)
Net loss per share applicable to common stock:				
Basic	\$ (1.26)	\$ (0.07)	\$ (1.39)	\$ (0.06)
Diluted	\$ (1.26)	\$ (0.07)	\$ (1.39)	\$ (0.06)
Weighted-average shares outstanding:				
Basic	8,801	7,929	8,798	6,948
Diluted	8,801	7,929	8,798	6,948

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

Table of Contents**GRILL CONCEPTS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(in thousands)**

	Nine Months Ended	
	September 28, 2008	September 30, 2007
Cash flows from operating activities:		
Net (loss)	\$ (12,203)	\$ (441)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	2,740	1,716
Amortized deferred rent and lease incentives	(725)	(493)
Amortized debt issuance costs	90	101
Provision for doubtful accounts		(103)
Stock based compensation	226	276
Deferred income taxes	6,239	(54)
Restructuring costs	821	
Minority interest in net profit of subsidiaries	169	239
Changes in operating assets and liabilities:		
Inventories	(14)	(60)
Receivables	(1,844)	(830)
Income taxes receivable	(771)	(233)
Prepaid expenses and other current assets	(409)	(282)
Other assets	(279)	(87)
Accounts payable	2,085	(481)
Accrued expenses	37	558
Litigation claim settlement	1,123	
Payable to Hotel Restaurant Properties, Inc		(2,951)
Tenant improvement allowances	1,663	657
Net cash used in operating activities	(1,052)	(2,468)
Cash flows from investing activities:		
Restricted cash	224	400