

RARE HOSPITALITY INTERNATIONAL INC  
Form 10-Q  
August 05, 2005

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 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 June 26, 2005

Commission file number 0-19924

RARE Hospitality International, Inc.

(Exact name of registrant as specified in its charter)

Georgia

(State or other jurisdiction of  
incorporation or organization)

58-1498312

(I. R. S. Employer  
Identification No.)

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8215 Roswell Rd; Bldg. 600; Atlanta, GA

30350

(Address of principal executive offices)

(Zip Code)

(770) 399-9595

(Registrant's telephone number, including area code)

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

☒ Yes ☐ No

As of August 2, 2005, there were 33,972,981 shares of common stock of the Registrant outstanding.

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RARE Hospitality International, Inc. and Subsidiaries

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RARE Hospitality International, Inc. and Subsidiaries

## Consolidated Balance Sheets

(In thousands)

(Unaudited)

	June 26,	December 26,
	2005	2004
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 25,412	\$ 19,547
Short-term investments	13,282	34,895
Accounts receivable	10,909	9,212
Inventories	13,491	12,564
Prepaid expenses	5,518	6,898
Refundable income taxes	--	3,327
Deferred income taxes	10,524	9,272
	-----	-----
Total current assets	79,136	95,715
Property & equipment, less accumulated depreciation and		
amortization of \$186,742 in 2005 and \$171,305 in 2004	459,625	438,479
Goodwill	19,187	19,187
Other	16,326	14,739
	-----	-----
Total assets	\$ 574,274	\$ 568,120
	=====	=====
<u>Liabilities and Shareholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 26,130	\$ 33,113
Accrued expenses	65,940	69,937
Income taxes payable	3,422	--
Current installments of obligations under capital leases	251	207
	-----	-----
Total current liabilities	95,743	103,257
Obligations under capital leases, net of current installments	37,001	37,136
Deferred income taxes	11,932	14,964
Other	7,653	6,820
	-----	-----
Total liabilities	152,329	162,177

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Minority interest	1,286	1,309
Shareholders' equity:		
Preferred stock	--	--
Common stock	223,843	217,146
Unearned compensation-restricted stock	(1,599)	(1,588)
Retained earnings	231,522	202,253
Treasury stock at cost; 1,283 shares in 2005 and 593 shares in 2004	(33,107)	(13,177)
	-----	-----
Total shareholders' equity	420,659	404,634
	-----	-----
Total liabilities and shareholders' equity	\$ 574,274	\$ 568,120
	=====	=====

See accompanying notes to consolidated financial statements

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RARE Hospitality International, Inc. and Subsidiaries

## Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

Revenues:	<u>Quarter Ended</u> June 26,	June 27,	<u>Six Months Ended</u> June 26,	June 27,
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Restaurant sales:				
LongHorn Steakhouse	\$168,492	\$147,183	\$333,686	\$292,342
The Capital Grille	39,625	31,113	78,017	60,950
Bugaboo Creek Steak House	24,022	23,615	48,657	47,901
Specialty concepts	2,001	2,052	3,653	3,788
	-----	-----	-----	-----
Total restaurant sales	234,140	203,963	464,013	404,981
Franchise revenues	124	101	221	200
	-----	-----	-----	-----
Total revenues	234,264	204,064	464,234	405,181
	-----	-----	-----	-----
Costs and expenses:				
Cost of restaurant sales	86,508	75,152	170,206	147,726
Operating expenses - restaurants	103,072	87,911	203,293	173,584
Depreciation and amortization - restaurants	8,680	7,457	17,132	14,636
Pre-opening expense	2,270	1,612	3,897	3,206
General and administrative expenses	12,599	11,746	25,022	23,406
	-----	-----	-----	-----
Total costs and expenses	213,129	183,878	419,550	362,558
	-----	-----	-----	-----
Operating income	21,135	20,186	44,684	42,623
Interest expense, net	394	207	651	323
Minority interest	60	92	186	201
	-----	-----	-----	-----
Earnings before income taxes	20,681	19,887	43,847	42,099
Income tax expense	6,876	6,610	14,578	13,995
	-----	-----	-----	-----
Net earnings	\$13,805	\$13,277	\$29,269	\$28,104
	=====	=====	=====	=====
Basic earnings per common share	\$ 0.41	\$ 0.39	\$ 0.86	\$ 0.84
	=====	=====	=====	=====

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Diluted earnings per common share	\$ 0.39	\$ 0.37	\$ 0.83	\$ 0.79
	=====	=====	=====	=====
Weighted average common shares outstanding:				
Basic	33,985	33,646	34,072	33,618
	=====	=====	=====	=====
Diluted	35,217	35,585	35,409	35,551
	=====	=====	=====	=====
See accompanying notes to consolidated financial statements				



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RARE Hospitality International, Inc. and Subsidiaries

Consolidated Statement of Shareholders' Equity

For the six months ended June 26, 2005

(In thousands, unaudited)

	<u>Common Stock</u>			Unearned		
	<u>Shares</u>	<u>Amount</u>	Restricted	Compensation-	Treasury Stock	Total
			<u>Stock</u>	Retained		Shareholders
				<u>Earnings</u>		<u>Equity</u>
Balance, December 26, 2004	34,802	\$ 217,146	\$(1,588)	\$ 202,253	\$(13,177)	\$ 404,634
Net earnings and total comprehensive income	--	--	--	29,269	--	29,269
Purchase of common stock for treasury	--	--	--	--	(19,930)	(19,930)
Amortization of restricted stock	--	--	757	--	--	757
Issuance of shares pursuant to restricted stock award	28	863	(863)	--	--	--
Forfeiture of restricted stock	(8)	(182)	95	--	--	(87)
Issuance of shares pursuant to exercise of stock options	316	4,012	--	--	--	4,012
Tax benefit of stock options exercised	--	2,004	--	--	--	2,004
Balance, June 26, 2005	35,138	\$ 223,843	\$(1,599)	\$ 231,522	\$(33,107)	\$ 420,659
	=====	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements

RARE Hospitality International, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(In thousands, unaudited)

	<u>Six-Months Ended</u> June 26,	June 27,
	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Net earnings	\$ 29,269	\$ 28,104
Adjustments to reconcile net earnings to net cash provided		
by operating activities:		
Depreciation and amortization	18,704	15,856
Changes in working capital accounts	(2,700)	(8,392)
Minority interest	186	201
Deferred tax (benefit) expense	(4,284)	3,635
Sale (purchase) of short-term investments	21,613	(2,215)
	-----	-----
Net cash provided by operating activities	62,788	37,189
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment	(39,083)	(46,635)
	-----	-----
Net cash used by investing activities	(39,083)	(46,635)
	-----	-----
Cash flows from financing activities:		
Purchase of common stock for treasury	(19,930)	(8,188)
Proceeds from exercise of stock options		