

May 22, 2018



Red Robin Gourmet Burgers Reports Results for the Fiscal First Quarter Ended April 22, 2018

GREENWOOD VILLAGE, Colo.--(BUSINESS WIRE)-- Red Robin Gourmet Burgers, Inc. (NASDAQ: RRGB), a full-service restaurant chain serving an innovative selection of high-quality gourmet burgers in a family-friendly atmosphere, today reported financial results for the quarter ended April 22, 2018.

First Quarter 2018 Financial Highlights Compared to First Quarter 2017

- Total revenues were \$421.5 million, an increase of 0.2%;
- Off-premise sales increased to 9.4% of total food and beverage sales compared to 6.3%;
- Comparable restaurant revenue decreased 0.9% (using constant currency rates);
- Comparable restaurant guest counts increased 0.1%;
- Restaurant labor costs as a percentage of restaurant revenue improved 70 basis points to 34.5%;
- GAAP earnings per diluted share were \$0.34 compared to \$0.89; and
- Adjusted earnings per diluted share were \$0.69 compared to \$0.89 (see Schedule I).

“While our sales were disappointing in the first quarter, we continued to do much better than casual dining on traffic according to Black Box Intelligence, outpacing the sector by 230 basis points. This makes our seventh quarter in a row of gaining market share. We did this by driving our off-premise sales by almost 40% year over year, increasingly going where the Guest wants us to be,” said Denny Marie Post, Red Robin Gourmet Burgers, Inc. chief executive officer. “We are taking steps to improve sales and traffic trends while continuing to make strides on productivity, which is critical to ensure we can deliver great service and value despite rising costs.”

Operating Results

Total revenues, which primarily include Company-owned restaurant revenue and franchise royalties, increased 0.2% to \$421.5 million in the first quarter of 2018 from \$420.6 million in the first quarter of 2017. Restaurant revenue increased \$1.3 million due to a \$5.9 million increase in revenue from new restaurant openings and a \$0.6 million favorable foreign currency impact, partially offset by a \$3.8 million, or 0.9%, decrease in comparable restaurant revenue and a \$1.4 million decrease from closed restaurants.

System-wide restaurant revenue (which includes franchised units) for the first quarter of 2018 totaled \$498.0 million, compared to \$498.8 million for the first quarter of 2017.

Comparable restaurant revenue⁽¹⁾ decreased 0.9% in the first quarter of 2018 compared to the same period a year ago, driven by a 1.0% decrease in average guest check, partially offset by a 0.1% increase in guest counts. The decrease in average guest check comprised a 2.0% decrease in menu mix, offset by a 1.0% increase in pricing. The Company's comparable revenue growth is calculated by comparing the same calendar weeks which, for the first quarter of 2017, exclude the first week of the first quarter of 2017 and include the first week of the second quarter of 2017.

Net income was \$4.4 million for the first quarter of 2018 compared to \$11.6 million for the same period a year ago. Adjusted net income was \$9.1 million for the first quarter of 2018 (see Schedule I).

Restaurant-level operating profit margin (a non-GAAP financial measure) was 20.0% in the first quarter of 2018 compared to 21.3% in the same period a year ago. The 130 basis point decrease in the first quarter of 2018 resulted from a 90 basis point increase in cost of sales, a 70 basis point increase in other restaurant operating expenses, and a 40 basis point increase in occupancy costs, offset by a 70 basis point decrease in labor costs. Schedule II of this earnings release defines restaurant-level operating profit, discusses why it is a useful metric for investors, and reconciles this metric to income from operations and net income, in each case under GAAP.

(1) Comparable restaurants are those Company-owned restaurants that have operated five full quarters during the period presented, and such restaurants are only included in the comparable metrics if they are comparable for the entirety of both periods presented.

Restaurant Revenue Performance

	<u>Q1 2018</u>	<u>Q1 2017</u>
Average weekly sales per unit ⁽¹⁾ :		
Company-owned – Total	\$53,704	\$ 55,490
Company-owned – Comparable ⁽²⁾	\$54,003	\$ 55,446
Franchised units – Comparable	\$60,103	\$ 61,611
Total operating weeks:		
Company-owned units	7,722	7,462
Franchised units	1,386	1,381

(1) Calculated using constant currency rates. Using historical currency rates, the average weekly sales per unit in the first quarter of 2017 for Company-owned – Total and Company-owned – Comparable was \$55,408 and \$55,362. The Company calculates non-GAAP constant currency average weekly sales per unit by translating prior year local currency average weekly sales per unit to U.S. dollars based on current quarter average exchange rates. The Company considers non-GAAP constant currency average weekly sales per unit to be a useful metric to investors and management as they facilitate a more useful comparison of current performance to historical performance.

(2) Using the same calendar weeks as compared to the first quarter 2018, the average weekly sales per unit in the first quarter of 2017, using constant currency rates, was \$54,503.

Other Results

Depreciation and amortization costs increased to \$29.2 million in the first quarter of 2018

from \$28.0 million in the first quarter of 2017. The increased depreciation was primarily related to new restaurant technology implemented beginning in third quarter 2017 and new restaurants opened since the first quarter of 2017.

General and administrative costs were \$28.6 million, or 6.8% of total revenues, in the first quarter of 2018, compared to \$30.9 million, or 7.3% of total revenues in the same period a year ago. The decrease was primarily due to decreases in salaries related to the reorganization in the first quarter 2018 and project costs related to our off-premise dining initiatives.

Selling expenses were \$17.7 million, or 4.2% of total revenues, in the first quarter of 2018, compared to \$17.1 million, or 4.1% of total revenues during the same period in the prior year. The increase was primarily due to additional spending in local restaurant marketing activities.

Pre-opening costs were \$1.1 million in the first quarter of 2018, compared to \$1.9 million in the same period a year ago. The decrease was primarily due to the number of restaurant openings.

Other charges in the first quarter of 2018 included \$4.0 million litigation contingencies and \$2.3 million reorganization costs.

The Company's effective tax rate in the first quarter of 2018 was 21.2% benefit, compared to an effective tax rate of 20.1% expense in the first quarter of 2017. The change in the effective tax rate is primarily due to the decrease in income as well as the decrease in the federal statutory rate from 35% to 21% in the first quarter of 2018 compared to the same period a year ago.

Earnings per diluted share for the first quarter of 2018 was \$0.34 compared to \$0.89 in first quarter of 2017. Excluding charges of \$0.22 per diluted share for litigation contingencies and \$0.13 per diluted share for reorganization costs, adjusted earnings per diluted share for the first quarter ended April 22, 2018 were \$0.69. See Schedule I for a reconciliation of adjusted net income and adjusted earnings per share (each, a non-GAAP financial measure) to net income and earnings per share.

Restaurant Development

During the first quarter of 2018, the Company opened four Red Robin restaurants and our franchisees opened one Red Robin restaurant. The Company plans to open four Red Robin restaurants and our franchisees plan to open three Red Robin restaurants during the remainder of 2018.

The following table details restaurant unit data for Company-owned and franchised locations for the periods indicated:

	<u>Sixteen Weeks Ended</u>	
	<u>April 22, 2018</u>	<u>April 16, 2017</u>
Company-owned:		
Beginning of period	480	465
Opened during the period	4	6
Acquired from franchisees	—	—
Closed during the period	—	(2)

End of period	484	469
Franchised:		
Beginning of period	86	86
Opened during the period	1	1
Sold or closed during the period	—	—
End of period	87	87
Total number of restaurants	571	556

Balance Sheet and Liquidity

As of April 22, 2018, the Company had cash and cash equivalents of \$23.7 million and total debt of \$231.4 million, excluding \$10.8 million of capital lease liabilities. The Company funded construction of new restaurants and other capital expenditures with cash flow from operations and made net repayments of \$35.0 million on its credit facility during the first quarter of 2018. As of April 22, 2018, the Company had outstanding borrowings under its credit facility of \$230.5 million, in addition to amounts issued under letters of credit of \$7.5 million, which reduce the amount available under its credit facility but are not recorded as debt.

The Company's lease adjusted leverage ratio was 3.96x as of April 22, 2018. The lease adjusted leverage ratio is defined in Section 1.1 of the Company's credit facility, which is filed as Exhibit 10.32 in the Annual Report on Form 10-K filed on February 21, 2017.

Outlook for the Second Quarter of 2018

Earnings per diluted share is projected to range from \$0.55 to \$0.75 for the second quarter of 2018.

Guidance Policy

The Company provides only annual guidance as it relates to selected information related to the Company's financial and operating performance, and such measures may differ from year to year.

Investor Conference Call and Webcast

Red Robin will host an investor conference call to discuss its first quarter 2018 results today at 5:00 p.m. ET. The conference call number is (800) 239-9838, or for international callers (323) 794-2551. The financial information that the Company intends to discuss during the conference call is included in this press release and will be available in the "Company" section of the Company's website at www.redrobin.com by selecting the "Investor Relations" link, then the "News Releases" link. Prior to the conference call, the Company will post supplemental financial information that will be discussed during the call and live webcast.

To access the supplemental financial information and webcast, please visit www.redrobin.com and select the "Company" section, then the "Investor Relations" link, then the "Presentations" link. A replay of the live conference call will be available from two hours after the call until midnight on Tuesday, May 29, 2018. The replay can be accessed by dialing (844) 512-2921, or (412) 317-6671 for international callers. The conference ID is 5361118.

About Red Robin Gourmet Burgers, Inc. (NASDAQ: RRGB)

Red Robin Gourmet Burgers, Inc. (www.redrobin.com), a casual dining restaurant chain founded in 1969 that operates through its wholly-owned subsidiary, Red Robin International, Inc., and under the trade name Red Robin Gourmet Burgers and Brews, is the Gourmet Burger Authority™, famous for serving more than two dozen craveable, high-quality burgers with Bottomless Steak Fries® in a fun environment welcoming to guests of all ages. Whether a family dining with kids, adults grabbing a drink at the bar, or teens enjoying a meal, Red Robin offers an unparalleled experience for its guests. In addition to its many burger offerings, Red Robin serves a wide variety of salads, soups, appetizers, entrees, desserts, and signature beverages. Red Robin offers a variety of options behind the bar, including its extensive selection of local and regional beers, and innovative adult beer shakes and cocktails, earning the restaurant a VIBE Vista Award for Best Beer Program in a Multi-Unit Chain Restaurant. There are more than 570 Red Robin restaurants across the United States and Canada, including locations operating under franchise agreements. Red Robin... YUMMM®! Connect with Red Robin on [Facebook](#), [Instagram](#), and [Twitter](#).

Forward-Looking Statements

Forward-looking statements in this press release regarding the Company's future performance, restaurant sales and guest traffic, new unit growth, productivity, and statements under the heading "Outlook for the Second Quarter of 2018," and all other statements that are not historical facts, are made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on assumptions believed by the Company to be reasonable and speak only as of the date on which such statements are made. Without limiting the generality of the foregoing, words such as "expect," "believe," "anticipate," "intend," "plan," "project," "will" or "estimate," or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. Except as required by law, the Company undertakes no obligation to update such statements to reflect events or circumstances arising after such date, and cautions investors not to place undue reliance on any such forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those described in the statements based on a number of factors, including but not limited to the following: the effectiveness of the Company's strategic initiatives; the effectiveness of the Company's marketing strategies and initiatives to achieve restaurant sales growth; the cost and availability of key food products, labor, and energy; the ability to achieve anticipated revenue and cost savings from anticipated new technology systems and tools in the restaurants including upgrading the Company's point-of-sale system and implementing a new inventory management system and other initiatives; the ability to develop, test, implement and increase online ordering, to-go services, catering and other off-premise sales; the ability to increase labor productivity through alternative labor models; availability of capital or credit facility borrowings; the adequacy of cash flows or available debt resources to fund operations and growth opportunities; the impact of federal, state, and local regulation of the Company's business; and other risk factors described from time to time in the Company's Form 10-K, Form 10-Q, and Form 8-K reports (including all amendments to those reports) filed with the U.S. Securities and Exchange Commission.

(In thousands, except per share data)
(Unaudited)

	Sixteen Weeks Ended	
	April 22, 2018	April 16, 2017
Revenues:		
Restaurant revenue	\$ 414,702	\$ 413,451
Franchise and other revenue	6,817	7,178
Total revenues	421,519	420,629
Costs and expenses:		
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):		
Cost of sales	98,515	94,607
Labor	143,015	145,519
Other operating	55,025	52,064
Occupancy	35,010	33,119
Depreciation and amortization	29,193	28,044
General and administrative	28,588	30,913
Selling	17,730	17,050
Pre-opening costs	1,137	1,855
Other charges	6,287	—
Total costs and expenses	414,500	403,171
Income from operations	7,019	17,458
Other expense:		
Interest expense, net and other	3,407	2,984
Income before income taxes	3,612	14,474
(Benefit) provision for income taxes	(768)	2,907
Net income	\$ 4,380	\$ 11,567
Earnings per share:		
Basic	\$ 0.34	\$ 0.90
Diluted	\$ 0.34	\$ 0.89
Weighted average shares outstanding:		
Basic	12,960	12,853
Diluted	13,065	12,953

RED ROBIN GOURMET BURGERS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	(Unaudited)	
	April 22, 2018	December 31, 2017
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 23,673	\$ 17,714
Accounts receivable, net	12,098	26,499
Inventories	29,388	29,553
Prepaid expenses and other current assets	15,559	31,038
Total current assets	80,718	104,804
Property and equipment, net	626,852	638,151
Goodwill	96,733	96,979
Intangible assets, net	36,991	38,273
Other assets, net	33,351	32,408
Total assets	\$ 874,645	\$ 910,615

Liabilities and Stockholders' Equity:

Current Liabilities:

Accounts payable	\$ 33,828	\$ 35,347
Accrued payroll and payroll related liabilities	39,864	32,777
Unearned revenue	43,364	55,915
Accrued liabilities and other	37,222	36,300
Total current liabilities	<u>154,278</u>	<u>160,339</u>

Deferred rent	75,146	74,980
Long-term debt	231,375	266,375
Long-term portion of capital lease obligations	10,003	10,197
Other non-current liabilities	11,139	11,289
Total liabilities	<u>481,941</u>	<u>523,180</u>

Stockholders' Equity:

Common stock; \$0.001 par value: 45,000 shares authorized; 17,851 and 17,851 shares issued; 12,980 and 12,954 shares outstanding	18	18
Preferred stock, \$0.001 par value: 3,000 shares authorized; no shares issued and outstanding	—	—
Treasury stock 4,871 and 4,897 shares, at cost	(201,443)	(202,485)
Paid-in capital	210,828	210,708
Accumulated other loss, net of tax	(3,839)	(3,566)
Retained earnings	387,140	382,760
Total stockholders' equity	<u>392,704</u>	<u>387,435</u>
Total liabilities and stockholders' equity	<u>\$ 874,645</u>	<u>\$ 910,615</u>

Schedule I

**Reconciliation of Non-GAAP Results to GAAP Results
(In thousands, except per share data)**

In addition to the results provided in accordance with Generally Accepted Accounting Principles ("GAAP") throughout this press release, the Company has provided non-GAAP measurements which present the 16 weeks ended April 22, 2018 and April 16, 2017, net income and basic and diluted earnings per share, excluding the effects of litigation contingencies, reorganization costs, and the related income tax effects. The Company believes the presentation of net income and earnings per share exclusive of the identified item gives the reader additional insight into the ongoing operational results of the Company. This supplemental information will assist with comparisons of past and future financial results against the present financial results presented herein. Income tax effect of reconciling items was calculated based on the change in the total tax provision calculation after adjusting for the identified item. The non-GAAP measurements are intended to supplement the presentation of the Company's financial results in accordance with GAAP.

	<u>Sixteen Weeks Ended</u>	
	<u>April 22, 2018</u>	<u>April 16, 2017</u>
Net income as reported	\$ 4,380	\$ 11,567
Litigation contingencies	4,000	—
Reorganization costs	2,287	—
Income tax effect of reconciling items	(1,617)	—
Adjusted net income	<u>\$ 9,050</u>	<u>\$ 11,567</u>

Basic net income per share:

Net income as reported	\$ 0.34	\$ 0.90
Litigation contingencies	0.31	—
Reorganization costs	0.17	—
Income tax effect of reconciling items	(0.12)	—
Adjusted earnings per share - basic	<u>\$ 0.70</u>	<u>\$ 0.90</u>

Diluted net income per share:		
Net income as reported	\$ 0.34	\$ 0.89
Litigation contingencies	0.30	—
Reorganization costs	0.17	—
Income tax effect of reconciling items	(0.12)	—
Adjusted earnings per share - diluted	<u>\$ 0.69</u>	<u>\$ 0.89</u>

Weighted average shares outstanding		
Basic	12,960	12,853
Diluted	13,065	12,953

Schedule II

Reconciliation of Non-GAAP Restaurant-Level Operating Profit to Income from Operations and Net Income (In thousands)

The Company believes that restaurant-level operating profit is an important measure for management and investors because it is widely regarded in the restaurant industry as a useful metric by which to evaluate restaurant-level operating efficiency and performance. The Company defines restaurant-level operating profit to be restaurant revenue minus restaurant-level operating costs, excluding restaurant impairment and closure costs. The measure includes restaurant-level occupancy costs, which include fixed rents, percentage rents, common area maintenance charges, real estate and personal property taxes, general liability insurance, and other property costs, but excludes depreciation related to restaurant buildings and leasehold improvements. The measure excludes depreciation and amortization expense, substantially all of which is related to restaurant-level assets, because such expenses represent historical sunk costs which do not reflect current cash outlay for the restaurants. The measure also excludes selling, general, and administrative costs, and therefore excludes occupancy costs associated with selling, general, and administrative functions, and pre-opening costs. The Company excludes restaurant closure costs as they do not represent a component of the efficiency of continuing operations. Restaurant impairment costs are excluded, because, similar to depreciation and amortization, they represent a non-cash charge for the Company's investment in its restaurants and not a component of the efficiency of restaurant operations. Restaurant-level operating profit is not a measurement determined in accordance with GAAP and should not be considered in isolation, or as an alternative, to income from operations or net income as indicators of financial performance. Restaurant-level operating profit as presented may not be comparable to other similarly titled measures of other companies in our industry. The table below sets forth certain unaudited information for the 16 weeks ended April 22, 2018 and April 16, 2017, expressed as a percentage of total revenues, except for the components of restaurant-level operating profit, which are expressed as a percentage of restaurant revenue.

<u>Sixteen Weeks Ended</u>	
<u>April 22, 2018</u>	<u>April 16, 2017</u>

Restaurant revenue	\$414,702	98.4%	\$413,451	98.3%
Restaurant operating costs ⁽¹⁾ :				
Cost of sales	98,515	23.8%	94,607	22.9%
Labor	143,015	34.5%	145,519	35.2%
Other operating	55,025	13.3%	52,064	12.6%
Occupancy	35,010	8.4%	33,119	8.0%
Restaurant-level operating profit	<u>83,137</u>	<u>20.0%</u>	<u>88,142</u>	<u>21.3%</u>
Add – Franchise and other revenue	6,817	1.6%	7,178	1.7%
Deduct – other operating:				
Depreciation and amortization	29,193	6.9%	28,044	6.7%
General and administrative expenses	28,588	6.8%	30,913	7.3%
Selling	17,730	4.2%	17,050	4.1%
Pre-opening costs	1,137	0.3%	1,855	0.4%
Other charges	6,287	1.5%	—	0.0%
Total other operating	<u>82,935</u>	<u>19.7%</u>	<u>77,862</u>	<u>18.5%</u>
Income from operations	7,019	1.7%	17,458	4.2%
Interest expense, net and other	3,407	0.8%	2,984	0.8%
Income tax (benefit) provision	(768)	(0.2)%	2,907	0.7%
Total other	<u>2,639</u>	<u>0.6%</u>	<u>5,891</u>	<u>1.5%</u>
Net income	<u>\$ 4,380</u>	<u>1.0%</u>	<u>\$ 11,567</u>	<u>2.7%</u>

(1) Excluding depreciation and amortization, which is shown separately.

Certain percentage amounts in the table above do not total due to rounding as well as the fact that components of restaurant-level operating profit are expressed as a percentage of restaurant revenue and not total revenues.

Schedule III

Reconciliation of Net Income to EBITDA and Adjusted EBITDA (In thousands, unaudited)

The Company defines EBITDA as net income before interest expense, provision (benefit) for income taxes, and depreciation and amortization. EBITDA and adjusted EBITDA are presented because the Company believes investors' understanding of our performance is enhanced by including these non-GAAP financial measures as a reasonable basis for evaluating our ongoing results of operations without the effect of non-cash charges such as depreciation and amortization expenses, asset disposals, and asset impairment and restaurant closure charges. EBITDA and adjusted EBITDA are supplemental measures of operating performance that do not represent and should not be considered as alternatives to net income or cash flow from operations, as determined by GAAP, and our calculation thereof may not be comparable to that reported by other companies in our industry or otherwise. Adjusted EBITDA further adjusts EBITDA to reflect the additions and eliminations shown in the table below. The use of adjusted EBITDA as a performance measure permits a comparative assessment of our operating performance relative to our performance based on our GAAP results, while isolating the effects of some items that vary from period to period without any correlation to core operating performance. Adjusted EBITDA as presented may not be comparable to other similarly-titled measures of other companies, and our presentation of adjusted EBITDA should not be construed as an inference that our future

results will be unaffected by excluded or unusual items. We have not provided a reconciliation of our adjusted EBITDA outlook to the most comparable GAAP measure of net income. Providing net income guidance is potentially misleading and not practical given the difficulty of projecting event driven transactional and other non-core operating items that are included in net income, including asset impairments and income tax valuation adjustments. The reconciliations of adjusted EBITDA to net income for the historical periods presented below are indicative of the reconciliations that will be prepared upon completion of the periods covered by the non-GAAP guidance.

	Sixteen Weeks Ended	
	April 22, 2018	April 16, 2017
Net income as reported	\$ 4,380	\$ 11,567
Interest expense, net	3,277	3,249
(Benefit) provision for income taxes	(768)	2,907
Depreciation and amortization	29,193	28,044
EBITDA	<u>36,082</u>	<u>45,767</u>
Litigation contingencies	4,000	—
Reorganization costs	2,287	—
Adjusted EBITDA	<u>\$ 42,369</u>	<u>\$ 45,767</u>

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