

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

For the fiscal year ended **December 31, 2023**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number **001-34851**

**RED ROBIN GOURMET BURGERS, INC.**

(Exact name of registrant as specified in its charter)

**DE**

**84-1573084**

(State or other jurisdiction of incorporation or organization)

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

**10000 E. Geddes Avenue, Suite 500 Englewood CO 80112**

**(303) 846-6000**

(Address of principal executive offices)

(State) (Zip Code)

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	RRGB	Nasdaq (Global Select Market)

Securities Registered Pursuant to Section 12(g) of the Act:

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the voting and non-voting common stock held by non-affiliates (based on the closing price on the last business day of the registrant's most recently completed second fiscal quarter on The Nasdaq Global Select Market) was \$216.6 million. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

There were 15,541,468 shares of common stock outstanding as of February 26, 2024.

**DOCUMENTS INCORPORATED BY REFERENCE**

Certain information required for Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K is incorporated by reference to the registrant's definitive proxy statement for the 2024 annual meeting of stockholders, which will be filed within 120 days of December 31, 2023 (the "2024 Proxy Statement").

**RED ROBIN GOURMET BURGERS, INC.**

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## PART I

### ITEM 1. Business

#### Overview

Red Robin Gourmet Burgers, Inc., together with its subsidiaries, primarily operates, franchises, and develops casual dining restaurants in North America famous for serving more than two dozen craveable, high-quality burgers with Bottomless Steak Fries<sup>®</sup> and sides in a fun environment welcoming to Guests of all ages.

We opened the first Red Robin<sup>®</sup> restaurant in Seattle, Washington in September 1969. In 1979, the first franchised Red Robin restaurant was opened in Yakima, Washington. In 2001, we formed Red Robin Gourmet Burgers, Inc., a Delaware corporation, and consummated a reorganization of the Company. Since that time, Red Robin Gourmet Burgers, Inc. has owned, either directly or indirectly, all of the outstanding capital stock or membership interests, respectively, of Red Robin International, Inc. and our other operating subsidiaries through which we operate our Company-owned restaurants. Unless otherwise provided in this Annual Report on Form 10-K, references to "Red Robin," "we," "us," "our", or the "Company" refer to Red Robin Gourmet Burgers, Inc. and our consolidated subsidiaries.

As of the end of our fiscal year on December 31, 2023, there were 506 Red Robin restaurants, of which 415 were Company-owned and 91 were operated by franchisees. Our franchisees are independent organizations to whom we provide certain support. See "Restaurant Franchise and Licensing Arrangements" for additional information about our franchise program. As of December 31, 2023, there were Red Robin restaurants in 39 states and one Canadian province.

The Company operates its business as one operating and one reportable segment. Financial information for our operating segment is included in the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

The Company's fiscal year is 52 or 53 weeks ending the last Sunday of the calendar year. We refer to our fiscal years as 2023, 2022, and 2021 throughout this Annual Report on Form 10-K. Our fiscal years, fiscal year end dates, and the number of weeks in each period are summarized in the table below:

<u>Fiscal Year</u>	<u>Year End Date</u>	<u>Number of Weeks in Fiscal Year</u>
<i>Current and Prior Fiscal Years:</i>		
2023	December 31, 2023	53
2022	December 25, 2022	52
2021	December 26, 2021	52
<i>Upcoming Fiscal Years:</i>		
2024	December 29, 2024	52
2025	December 28, 2025	52

#### Business Strategy

In January of 2023, the Company released its North Star five-point plan designed to enhance the Company's competitive positioning. The North Star five-point plan consists of the following:

- **Transform to an Operations Focused Restaurant Company:**
  - Empower decision making by operators at the unit level
  - Incentivize and reward operators to drive business growth and results
  - Restructured support organization
- **Elevate the Guest Experience:**
  - Invest in people, food quality, and the restaurant facility
  - New cooking platform to fully deliver on our commitment of Gourmet Burgers
  - Menu refresh adding variety of both offerings and price points
- **Remove Costs and Complexity:**
  - Optimize the supply chain to reduce costs and ensure consistent delivery of high-quality product
  - Evaluate vendors for need, performance, and competitive costs
  - Implement ongoing process to reduce costs through actions that uphold our commitment to a great Guest experience

- **Optimize Guest Engagement:**
  - Engage and support local communities in which we operate
  - Enhance the off-premises experience
  - Further build and engage Guests through Red Robin Royalty® loyalty program
- **Drive Growth in Comparable Restaurant Revenue & Unit Level Profitability, and Deliver Financial Commitments:**
  - Regain credibility with the investment community
  - Drive performance in the existing base of restaurants, earning the right to resume new unit growth
  - Deliver financial guidance commitments

The Red Robin vision is to be the most loved restaurant brand in the communities we serve.

## **Restaurant Concept**

With our menu of Gourmet Burgers and American favorites, creative beverage menu, over 30 bottomless items, energetic atmosphere, and playful environment that connects families of all kinds, our brand not only carries great memories for our most loyal Guests but also appeals to a broad demographic. Our Guests enjoy the playful spirit of our experience and the comfort they feel with friends and family across a diverse and multi-generational demographic.

We pride ourselves on our Gourmet Burgers and other mainstream favorites served in a casual, playful atmosphere. Our menu features our signature product, a line of Gourmet Burgers with layers of fresh ingredients and premium quality, fresh ground beef. We also offer burgers made with other proteins including chicken breasts (grilled or fried), turkey patties, as well as a proprietary vegetarian patty and the Impossible™ plant-based burger patty. We offer a selection of buns, including gluten free, sesame, brioche, and lettuce wraps, with a variety of toppings, including house-made sauces, crispy onion straws, sautéed mushrooms, several cheese choices, and a fried egg. All of our burgers are served with a choice from eight all-you-can-eat bottomless sides from steak fries, to broccoli, to garlic fries. We specialize in customizing our menu items to meet our Guests' dietary needs and preferences and have received recognition from experts in the allergen community. In addition to burgers, which accounted for 56% of food sales in 2023, Red Robin serves an array of other mainstream favorites that appeal to our Guests. These items include a variety of foods like Donatos® pizza, wings, salads, other entrees, and desserts. We also offer a range of single-serve and shareable desserts as well as our milkshakes. Our beverages include signature alcoholic and non-alcoholic specialty drinks, cocktails, wine, and a variety of national and craft beers.

We strive to customize the pace of the experience for our Guests based on their occasion, from accommodating time-pressured meals to offering a place to relax and connect with family and friends. We call this the “gift of time.” Red Robin also has an extraordinary approach to Guest service, and we have cataloged thousands of stories of Red Robin Team Members who live our values. Many examples can be found on our website, [www.redrobin.com](http://www.redrobin.com). Note that our website and the information contained on or connected to our website are not incorporated by reference herein, and our web address is included as an inactive textual reference only.

We also strive to provide our Guests with exceptional dining value and the ability to customize their experience. In 2023, we had an average check per Guest of \$17.08. Average check per Guest increased 6.8% compared to 2022. We believe our price-to-value relationship, featuring our innovative array of quality burgers, “instaworthy” beverages, and over 30 bottomless items, differentiates us from our casual dining competitors and allows us to appeal to a broad base of middle income, multi-generational consumers.

## **ESG: Ongoing Commitment to Sustainability**

Red Robin is a company that cares; we strive to impact Guests, Team Members, communities, and our planet for the better. We continued our sustainability journey by completing a materiality assessment, designed to help us identify and understand the ESG topics that matter most to our stakeholders. In 2023, we published our second sustainability report and Sustainability Accounting Standards Board (the “SASB”) Restaurant Industry disclosures, which is available on our website at [ir.redrobin.com](http://ir.redrobin.com). The contents of the sustainability report, our SASB Restaurant Industry disclosures and our website are not incorporated by reference into this Form 10-K. Our sustainability efforts continue to evolve, and we intend to continue to adapt our sustainability approach to integrate with our North Star strategic priorities.

## **Human Capital Management**

We strive to ensure our people, who we refer to as Team Members, live out and benefit from our core values: Integrity, Fun, Unbridled Hospitality, and High Performance. We believe that when we live out these values, we win together!

Winning together is our core objective. We nurture this culture by ensuring that our people are front and center, that they have a clear understanding of what is expected, and that people love working for our brand. We strive to provide our people with a great place to work, opportunities for growth, and competitive compensation for their contributions. Our values empower

and motivate our Team Members and create a Company culture that we collectively take pride in every day. We also provide our Team Members the opportunity to grow and develop, promote health and safety, and value inclusion, diversity, and engagement.

As part of our human capital management strategy, we focus on the following areas:

#### *Our Team Members*

As of December 31, 2023, we had 22,516 Team Members, consisting of 22,149 Team Members at Company-owned restaurants and 367 Restaurant Support Center and field-based Team Members.

#### *Competitive Compensation and Benefits*

We support our Team Members by offering market-competitive compensation and benefits for eligible Team Members. Tip eligible Team Members are paid at least the tip credit rate or minimum wage rate as mandated by federal, state, or local government agencies, in addition to receiving customer tips. We aim to ensure tipped positions make more than the federal, state, or local minimum wage when including tips. Our benefit programs include medical, dental, and vision insurance offerings, employee assistance programs, shift meals, Red Robin meal discounts, paid time off, 401(k) with employer match, an employee stock purchase plan, and equity-based awards for eligible Restaurant Support Center and operations Team Members, generally, at the director level and above.

Compensation and performance evaluations are designed to compensate our Team Members fairly for their level of experience and overall contribution to our business. We leverage our rewards to motivate our Team Members to do what is necessary in our mission to deliver a best-in-class Guest experience. For our operations leaders we implemented a performance-based compensation program. Our individual restaurant managers and multi-restaurant operators are now referred to as "Managing Partners" and "Market Partners," respectively. Under the new compensation plan for these field Team Members, they will earn a base salary plus a performance bonus, which represents a percentage of each of their respective restaurant's operating profit. We changed our legacy program because we believe providing each Partner with a direct and uncapped financial incentive will attract and retain the best talent in the industry and incentivizes each Partner to take action to drive growth in the restaurant or market they manage. We also believe this program rewards our Partners for making the right day-to-day decisions to satisfy our Guests and meet our financial objectives.

#### *Health and Safety*

We operate with the health, safety, and well-being of Red Robin's Team Members, Guests, and communities in mind, as well as federal, state and local regulatory requirements. Since the COVID-19 pandemic, we have taken additional measures to protect our Team Members and Guests from infectious disease as well as comply with state and local protocols designed to maintain a healthy work environment.

#### *Diversity, Equity, and Inclusion ("DE&I")*

At Red Robin, we value everyone for who they are. We are committed to combining the key ingredients of diverse identities, perspectives, and experiences to create our own special seasoning of Unbridled Hospitality. By respecting and supporting our Team Members, our Guests, and our Communities, we all win together. We have a successful Women's Excellence program, a Company-wide resource group to support and inspire Team Members through development, networking, leadership, and other resources while fueling a culture of opportunity and diversity. In 2022, we established a Diversity, Equity, and Inclusion Committee to develop a mission and vision for DE&I from a Team Member's point of view. In 2023, we established a DE&I Steering Council made up of senior leaders of the organization to establish an overarching long-term strategy and plan for our Company. The DE&I Committee meets routinely to assess opportunities for the Company to improve its efforts to create a best-in-class work environment that thrives on inclusion and diversity of thought. The DE&I Steering Council meets with the DE&I Committee, our Executive Team, and Board of Directors on a periodic basis to provide recommendations and updates on our progress against our evolving DE&I objectives.

#### *Restaurant Management*

From 2020 through 2022, our typical restaurant management team consisted of a General Manager, an assistant General Manager, one to two associate managers, and additional shift supervisors depending on restaurant sales volumes. We believe it is critical to operate our restaurants with a full complement of experienced and professional restaurant management. Beginning in 2023, we changed the typical restaurant management team to consist of a Managing Partner, an assistant General Manager, a kitchen manager, and service managers, associate managers, or shift supervisors, as appropriate, dependent primarily on restaurant Sales volume. This transition in restaurant management is occurring in phases. This transition marks a major change in our operational approach with expectations for local restaurant leadership to behave as if they are the "owner" of the restaurant. Decision making on a number of activities is now being driven by local leadership with the support of multi-unit field operations leaders when appropriate. In support of this approach, beginning in 2024, the compensation plan for field restaurant leaders will change significantly. A larger portion of the total compensation package for Managing Partners will be in

the form of a monthly bonus linked to restaurant-level operating profit. Leaders who are effective at driving higher levels of performance will receive higher monetary rewards over time. This model also supports our intent to improve our level of community focus within the local regions we serve. Managing Partners will have the flexibility and resources to drive localized activities aimed at nurturing relationships within their community to drive Guest traffic. Our expectation is this approach will help to drive both top and bottom-line results and engagement.

The management team of each restaurant is responsible for the day-to-day operation of that restaurant, including hiring, training, and coaching of Team Members, as well as operating results. Our typical restaurant employs 40 to 70 Team Members, most of whom work part-time on an hourly basis.

### *Learning and Development*

We strive to maintain quality and consistency in each of our restaurants through the training and development of Team Members and the establishment of, and adherence to, high standards relating to Team Member performance, Guest satisfaction, food and beverage preparation, and the maintenance of our restaurants. Each restaurant maintains a group of certified learning coaches, including a head learning coach, who collectively are tasked with preparing new Team Members for success by providing on-the-job training leading up to a final skills certification for their position. Team Members seeking advancement have the opportunity to join our management development program as a Shift Supervisor. We continue to focus on hiring, training, and retaining our Team Members as we believe this is key to maintaining quality and consistency in each of our restaurants.

New restaurant managers participate in our eight-week Management Foundations training program. This program hones each manager's skills, specifically in two areas: flawless shift execution and effective coaching of Team Members.

These learning and development practices at the restaurants support our talent pipeline to develop and promote our restaurant management Team Members from within.

### *Team Member Engagement*

We regularly collect feedback to better understand and improve Team Member experience and identify opportunities to strengthen our culture. We welcome open, candid feedback to promote Team Members feeling heard and engaged and to better support the values important to each of our Team Members. We accomplish this through a variety of programs and forums, including Team Member engagement surveys, virtual open forums, one-on-one coaching, wellness and engagement meetings, Town Hall meetings, leadership conferences, and exit interviews. In addition to these structured programs and forums, we maintain an open-door policy at all levels of the Company. Our Company remains committed to offering Team Members numerous opportunities to have their voices heard because we believe our Team Members are our most valuable resource.

In 2022, we partnered with an outside vendor and launched a new Team Member engagement survey to all field Team Members in 2023. We have utilized this information to gather insights from our Team Member population and have created action plans from this data to continue to enhance our workplace. We also plan to offer the use of this survey tool multiple times during the year to gain feedback when key events occur, so we can quickly respond to suggestions and concerns when they arise. We believe that such a tool will not only assist us with workforce retention, but also enhance labor productivity over time.

### **Food Safety and Purchasing**

Our food safety and quality assurance programs help manage our commitment to safe, quality ingredients and responsible food preparation and service. Our Food Safety Management Program is a set of systems designed to protect from risk and control hazards. We provide detailed specifications for our proprietary food ingredients, products, and supplies to our suppliers. We qualify and require outside third party certification audits on an annual basis for all of our food and beverage suppliers (excluding alcoholic beverages, which are not held to the same auditing standards), as well as growers. Their certifications must comply with the Global Food Safety Initiative, if applicable. Our restaurant leaders must pass and maintain an accredited manager-level food safety and sanitation certification. We maintain strict food safety protocols, including safe cooking temperature requirements, food handling procedures, cooling procedures, and frequent temperature and quality checks, for the safety and quality of the food we serve in our restaurants. In order to provide fresh ingredients and products and to maximize operating efficiencies between purchase and usage, each restaurant's management team determines the restaurant's daily usage requirements for food ingredients, products, and supplies, and accordingly, orders from approved suppliers, and distributors. The restaurant management team inspects deliveries to ensure that the products received meet our safety and quality specifications. Additionally, we engage an independent auditing company to perform unannounced comprehensive food safety and sanitation assessments at least three times a year in all Company-owned and franchised restaurants. If an assessment identifies any gaps, a documented plan is required for any deficiency noted. This same follow-up requirement is in place for government regulatory inspections.

To enhance our purchasing efficiencies and obtain competitive prices for our high-quality ingredients, products, and supplies, our centralized purchasing team negotiates supply agreements that may include fixed price contracts that can vary in term or formula-based pricing agreements that can fluctuate on changes in raw material commodity pricing. Of our total cost of goods in 2023, ground beef represented approximately 14%, potatoes represented approximately 12%, and poultry represented approximately 11%. We monitor the market for the primary commodities we purchase and extend contract positions when applicable in order to minimize the impact of fluctuations in price and availability. During the COVID-19 pandemic, we experienced distribution disruptions, commodity cost inflation, and certain food and supply shortages. To manage this risk in part, we enter into fixed-price purchase commitments for certain commodities; however, it may not be possible for us to enter into fixed-price purchase commitments for certain commodities, or we may choose not to enter into fixed-price contracts for certain commodities. We believe that substantially all of our food and supplies meeting our specifications are available from alternate sources, which we have identified to diversify our supply chain. As of December 31, 2023, approximately 50% of our estimated annual food and beverage purchases were covered by fixed price contracts, most of which are scheduled to expire at various times through the end of 2024.

### **Restaurant Development, Remodels, and Donatos®**

With the transition to a new leadership team and focus on the North Star plan in 2022 and 2023, we deprioritized new restaurant growth in the short-term as we focus on other business initiatives and uses of capital.

Beginning in 2022, we resumed our restaurant refresh and remodel program to keep our restaurants relevant and well-maintained. We continue to believe this type of investment presents an opportunity to provide compelling investment returns. We are conducting a thorough review and evaluation of all completed refreshes and remodels to gather learnings and measure consumer response. When complete, we expect this evaluation will inform our go forward design criteria, investment level, and pace of refreshes and remodels.

In 2020, we announced our partnership with Donatos®, a high-quality pizza brand "nested" inside of Red Robin restaurants. Through this partnership, our restaurants prepare and serve Donatos® branded pizzas to our dine-in and off-premises Guests. Pursuant to a licensing arrangement, we pay royalties on sales of Donatos® pizza products to Donatos®. As of December 31, 2023, we have introduced Donatos® pizzas to 273 restaurants. We plan to continue implementation of Donatos® and anticipate eventually operating Donatos® in substantially all Red Robin restaurants. We invested \$8.6 million and \$6.1 million in the Donatos® expansion in fiscal 2023 and 2022, respectively.

### **Restaurant Franchise and Licensing Arrangements**

As of December 31, 2023, our franchisees operated 91 restaurants in 14 states and British Columbia, Canada. Our two largest franchisees own 41 restaurants located in Eastern and Central Pennsylvania, Michigan and Ohio.

#### *Franchise Compliance Assurance*

We actively work with and monitor our franchisees' performance to help them develop and operate their restaurants in compliance with Red Robin's standards, systems, and procedures. During the restaurant development phase, we review the franchisee's site selection and provide the franchisee with our prototype building plans. We provide trainers to assist the franchisee in opening the restaurant for business. We advise the franchisee on all menu items, management training, and equipment and food purchases. We also exchange best operating practices with our franchisees as we strive to improve our operating systems while attaining a high level of franchisee participation.

### **Information Systems and Digital Technology**

We rely on information systems and digital technology in all aspects of our operations, striving to create seamless Guest experiences and enable Operations to deliver on our Brand commitments. In our restaurants, these technologies are designed to facilitate operational efficiency and support the Guest experience. These technologies include (but are not limited to) labor management systems, sales and forecasting tools, inventory management, and operational execution technologies. These technologies are integrated with our point-of-sale system to provide daily, weekly, and period-to-date reporting that is important for our Operators to run an efficient and high-performing restaurant. We also use technology to interact with our Guests via our digital platforms, including our website, mobile Apps, loyalty platform, online ordering site, tabletop kiosks, Server handhelds, and Guest feedback systems, which provide actionable insights on the overall Guest experience.

We utilize centralized financial, accounting, and human resource management systems to support our Restaurant Support Center and Company-owned restaurants. In addition, we use an Operations scorecard that integrates data from our centralized systems and distributes information to assist in managing the performance of our restaurants. We believe these combined tools are important in analyzing and improving our operations, profit margins, and monitoring other key business metrics.

In 2024, we continue to make iterative enhancements to the digital and loyalty experience that benefit our Guests and Team Members. Beginning in 2024, we expect to begin implementing infrastructure modernization efforts to improve

performance and stability of current and future technology solutions. In 2024, we also expect to launch a new loyalty program, transitioning to a points-based system to reward our most loyal guests.

We accept electronic payment cards from our Guests for payment in our restaurants. We also receive and maintain certain personal information about our Guests and Team Members. We have systems and processes in place that focus on the protection of our Guests' credit card information and other private information we are required to protect, such as our Team Members' personal information. We have taken several steps to prevent the occurrence of security breaches in this respect. Our systems are carefully designed and configured to protect against data loss or compromise. For example, because of the number of credit card transactions processed in our Company-owned restaurants, Red Robin is required to maintain compliance per the Payment Card Industry Data Security Standard (PCI-DSS) for our networks and systems both at our Restaurant Support Center and Company-owned restaurants. Red Robin not only meets the requirements but also maintains a higher-level designation as a Merchant. These PCI compliance standards, set by a consortium of the major credit card companies, require annual assessment to ensure certain levels of system security and procedures are in place to protect our Guests' credit card and other personal information.

We engage external security assessors and consultants to review and advise us on our other data security practices with respect to protection of other sensitive personal information that we obtain from Guests and Team Members.

### **Marketing and Advertising**

Our marketing strategy has been designed to foster awareness, elevate brand equity, encourage consideration, and ultimately drive traffic and sales. Our approach encompasses a blend of highly targeted and efficient paid, owned, and earned media channels, including paid search, programmatic digital, social media, creators, reputation management, search engine optimization, social community management, loyalty programs, personalized email marketing, local restaurant marketing, public relations, and investor relations. Our digital footprint extends across platforms such as RedRobin.com, our mobile application, and a dedicated Catering site.

Funding for these initiatives is primarily derived from cooperative creative development efforts and national marketing funds. Beginning in 2023, we initiated a strategic realignment, optimizing the allocation of resources across paid and earned media, and local marketing endeavors. This realignment emphasizes personalized Guest engagement within the communities we serve, with a focused objective to enhance the dine-in experience. Recently, we undertook an extensive consumer research initiative, coupled with a segmentation study, to deepen our understanding of today's Guests. This research informed our growth targets, reinforced the distinctive essence of our brand, and guides our commitment to delivering on our promise to Guests. Additionally, utilizing a Guest satisfaction tool in our restaurants, we actively gather feedback to identify areas for improvement, enhancing restaurant performance and tracking progress. Continuous performance monitoring relative to industry peers, coupled with testing potential business drivers among current and potential Guests, promotes our adaptability and responsiveness to market dynamics.

Leveraging our expansive Red Robin Royalty™ database, comprising over 13 million members, we also gain valuable insights into Guest behavior, frequency, and purchase patterns. Our brand creative and messaging celebrate the shared values and playful spirit of both our Guests and our brand, seamlessly extending across craveable food, distinctive positioning, dine-in experience, and emotional connections with Guests.

Central to our vision for future growth is a three-pillar approach, strategically designed to drive stronger dine-in experiences, facilitate more convenient off-premises options (including carryout, catering, and delivery), and employ retention-focused marketing initiatives to enhance Guest frequency. We firmly believe that this holistic approach positions us for growth in the dynamic landscape of our industry.



## Executive Officers

The following table sets forth information about our current executive officers:

Name	Age	Position
G. J. Hart	66	President, Chief Executive Officer, and Member of the Board of Directors
Todd Wilson	46	Chief Financial Officer
Sarah Mussetter	45	Chief Legal Officer and Secretary
Jyoti Lynch	52	Chief Technology Officer
Meghan Spuler	43	Chief People Officer
Kevin Mayer	54	Chief Marketing Officer

*G.J. Hart.* Mr. Hart joined Red Robin as President and Chief Executive Officer in September 2022. Mr. Hart served as a director of the Company since August 2019. Mr. Hart most recently served as Chief Executive Officer of Torchy's Tacos from 2018 until 2021. He was previously the Executive Chairman and Chief Executive Officer of California Pizza Kitchen from 2011 to 2018. From 2000 to 2011, Mr. Hart served as President of Texas Roadhouse Holdings, LLC and as Chief Executive Officer and member of the board from 2004 to 2011. Mr. Hart also held leadership positions at AI Copeland Investments, TriFoods International, New Zealand Lamb Company, and Shenandoah Valley Poultry earlier in his career.

*Todd Wilson.* Mr. Wilson joined Red Robin as Chief Financial Officer in November 2022. Mr. Wilson previously served as Chief Financial Officer at Hopdoddy Burger Bar and Hibar Hospitality from 2018 until 2022. Prior to that, he was Vice President of Finance for Jamba Juice from 2016 until 2018. From 2011 to 2016, Mr. Wilson served as Division CFO and Vice President of Finance at Bloomin' Brands.

*Sarah Mussetter.* Ms. Mussetter joined Red Robin as Chief Legal Officer and Secretary in December 2022. She previously held the roles of Associate General Counsel and Vice President, Deputy General Counsel for the Company from 2011 to 2021. Prior to joining the Company Ms. Mussetter worked for the law firm of Holme Roberts & Owen LLP (now Bryan Cave Leighton Paisner LLP). Most recently, Ms. Mussetter was SVP Deputy General Counsel for Skillsoft Corp., a learning application and technology company, from September 2021 to December 2022.

*Jyoti Lynch.* Ms. Lynch joined Red Robin as Chief Technology Officer in June 2023. She previously served as Senior Vice President and Chief Information Officer for Jamba Juice from 2017 to 2019, and as Chief Information Officer at European Wax Center from 2019 to 2023. She has also served in senior technology leadership roles at Blockbuster, Inc., Fortium Partners, and Speed Commerce.

*Meghan Spuler.* Ms. Spuler joined Red Robin as Chief People Officer in December 2023. Prior to joining the Company, she held the roles of Chief People Officer of Eckerd Connects from 2021 to 2023. From 2016 to 2021, Ms. Spuler served as Director of Human Resources, Senior Director of Human Resources, and Vice President of Human Resources for Bloomin' Brands.

*Kevin Mayer.* Mr. Mayer joined Red Robin as Chief Marketing Officer in May 2023. Prior to joining the Company, he served as Chief Marketing Officer of Pedego Electric Bikes during 2022. He previously held the roles of Executive Vice President, Chief Growth and Brand Officer and Chief Marketing Officer from 2014 to 2022 at BJ's Restaurants. From 2012 to 2013 Mr. Mayer served as Vice President of Marketing for Volkswagen of America.

## Competition

The restaurant industry is highly competitive, and our Guests may choose to purchase food at supermarkets or other food retailers. Although, for some occasions, we compete against other segments of the restaurant industry, including quick-service and fast-casual restaurants, our primary competition is with other sit-down, casual dining restaurants within the full-service dining segment. In addition, we compete to attract Guests for off-premises dining occasions, including online ordering, delivery, to-go, and catering. The number, size, and strength of competitors vary by region, concept, market, and even restaurant. We compete on the basis of taste, quality, price of food and related Guest value, Guest service, ambiance, location, and overall dining experience.

We believe our Guest demographics, strong brand recognition, Gourmet Burger concept, family friendly atmosphere, attractive price-value relationship, and the quality of our food and service enable us to differentiate ourselves from our casual dining competitors. We believe we compete favorably with respect to each of these factors. Our competitors include well-established national chains which have more substantial marketing resources. We also compete with many other restaurant and retail establishments for Team Members.

## **Seasonality**

Our business is subject to seasonal fluctuations. Sales in most of our restaurants were historically higher during the spring and summer months and winter holiday season due to factors including our retail-oriented locations and family appeal. As a result, our quarterly operating results may fluctuate significantly as a result of seasonality, and seasonality of sales may shift over time. Accordingly, results for any one quarter or year are not necessarily indicative of results to be expected for any other quarter or for any year.

## **Trademarks**

We have a number of registered trademarks and service marks, including the Red Robin®, Red Robin Gourmet Burgers®, "YUMMM®", Red Robin Gourmet Burgers + Brews®, and Red Robin Royalty® and logos. We have registered these marks, among others, with the United States Patent and Trademark Office, and we have registered various trademarks in certain other international jurisdictions. Pursuant to our licensing arrangement with Donatos®, we license the right to use the Donatos® trademark.

In order to better protect our brand, we have also registered the Internet domain name [www.redrobin.com](http://www.redrobin.com). We believe our trademarks, service marks, and other intellectual property rights have significant value and are important to our brand building efforts and the marketing of our restaurant concept.

## **Government Regulation**

We are subject to laws and regulations relating to the preparation and sale of food, including regulations regarding product safety, nutritional content, and menu labeling. Our collection or use of personal information about Guests or our Team Members is regulated at the federal and state levels, including the California Consumer Privacy Act.

Our restaurants are subject to various licensing requirements and other regulations by state, and local health, safety, fire, and other authorities, including licensing requirements, regulations for the sale of alcoholic beverages and food, and public health related indoor capacity restrictions. We obtain and maintain necessary licenses, permits, and approvals to run our business. The development and construction of new restaurants is also subject to compliance with applicable zoning, land use, and environmental regulations. We are also subject to certain guidelines under the Americans with Disabilities Act of 1990 and various state codes and regulations, which require restaurants and our brand to provide full and equal access to persons with physical disabilities.

We are subject to federal regulation and state laws that regulate the offer and sale of franchises and substantive aspects of the franchisor-franchisee relationship. Various federal and state labor laws govern our relationship with our Team Members and can significantly impact our operating costs. These laws govern minimum wage requirements, overtime pay, tip credits, paid leave, meal and rest breaks, unemployment tax rates, health care and other benefits, workers' compensation rates, citizenship or residency requirements, child labor regulations, and discriminatory conduct.

## **Available Information**

We use our investor relations website, [ir.redrobin.com](http://ir.redrobin.com), as a channel of distribution of Company information. The information we post through this channel may be deemed material. Accordingly, investors should monitor this channel, in addition to following our press releases, SEC filings, conference calls, webcasts, and other investor events. Investors and others can receive notifications of new information posted on our investor relations website by signing up for email alerts. We make available through this investor relations website, free of charge, our Securities and Exchange Commission ("SEC") filings, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. All SEC filings are also available at the SEC's website at [www.sec.gov](http://www.sec.gov). Our website and the information contained on or connected to our website are not incorporated by reference herein, and our web address is included as an inactive textual reference only.

## **Forward-Looking Statements**

Certain information and statements contained in this report are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "PSLRA") codified at Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act. Forward-looking statements include statements regarding our expectations, beliefs, intentions, plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements which are other than statements of historical facts. These statements may be identified, without limitation, by the use of forward-looking terminology such as "anticipate," "assume," "believe," "could," "estimate," "expect," "future," "intend," "may," "plan," "project," "will," "would," and similar expressions. Forward-looking statements may relate to, among other things: (i) our business objectives and strategic plans, including projected or anticipated growth, including in Guest traffic and revenue, growth strategies, planned improvements in operational efficiencies, gross margins, and

expense management and enhancements to our restaurant environments and Guest engagement, including the anticipated impacts of innovations, improvements, marketing and branding strategies, and changes to our loyalty program; (ii) our expectations about pricing strategy and average check size; (iii) our expectations of the competitiveness of the labor market and our ability to hire, train, and retain Team Members, as well as the success of our Managing Partner and Market Partner compensation program; (iv) anticipated capital investments and the results of such investments including in our restaurant refresh and remodel program and our digital ecosystem, information technology systems, our restaurant development program, and the anticipated related benefits; (v) our expectations about restaurant operating costs, including commodity and food prices and labor and energy costs; (vi) anticipated legislation and other regulation of our business; (vii) anticipated continued investments in our partnership with Donatos®; (viii) our expectations about anticipated uses of, and risks associated with future cash flows, liquidity, future capital expenditures and other capital deployment opportunities, and taxes; (ix) our expectations regarding competition; and (x) our expectations regarding demand, consumer preferences, and consumer discretionary spending; (xi) our expectations regarding the implementation and anticipated benefits of our ESG, diversity, equity and inclusion and other initiatives; (xii) our ability to successfully implement our food safety programs, (xiii) our ability to successfully implement our health and safety initiatives; (xiv) the seasonality of our business; (xv) our ability to successfully implement, and our expectations regarding, our North Star five-point plan to enhance the Company's competitive positioning; (xvi) our expectations and other statements regarding interest rates, commodity prices and other factors; (xvii) the expected impacts of government regulations on our operations and financial condition, and changes in such regulation; (xviii) the implementation of our restaurant management transition program, including anticipated benefits to our sales, Team Member performance and engagement, Guest traffic, community focus and results of operations; and (xix) the other risks discussed under Risk Factors below.

Although we believe the expectations reflected in our forward-looking statements are based on reasonable assumptions, such expectations may prove to be materially incorrect due to known and unknown risks and uncertainties.

In some cases, information regarding certain important factors that could cause actual results to differ materially from a forward-looking statement appears together with such statement. Factors that could cause or contribute to such differences include those described under "Part I - Item 1A. Risk Factors" of this Annual Report on Form 10-K. These factors should not be construed as exhaustive and should be read in conjunction with other cautionary statements included in this and other reports we file with the SEC.

All forward-looking statements speak only as of the date made. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances.

## ITEM 1A. Risk Factors

*An investment in our common stock involves a high degree of risk. You should carefully read and consider the risks described below before making an investment decision. The occurrence of any of the following risks could materially harm our business, financial condition, results of operations, or cash flows. The trading price or value of our common stock could decline, and you could lose all or part of your investment. When making an investment decision with respect to our common stock, you should also refer to the other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes.*

### **Risks Related to Our Business**

***Our business strategy may not be successful or achieve the desired results, which may have an adverse impact on our business and financial results.***

The Company is currently undergoing a significant transformation. In 2023, we launched our "North Star" business strategy. Developed under new leadership, this five-point plan is designed to drive long-term shareholder value and enhance Red Robin's competitive positioning. The North Star five-point plan focuses on transforming to an operations focused restaurant company, elevating the Guest experience, removing costs and complexity, optimizing Guest engagement, and driving growth in comparable restaurant revenue and unit level profitability, and delivering financial commitments.

These strategies and related initiatives, including changes to our restaurant management structures, may not result in increased traffic and sustained higher sales, which are important to achieving our strategic objectives. Changes to our operations structure and compensation, service model, Guest experience and cooking platform, supply chain and vendors, marketing and branding strategies, loyalty program, technology, and Guest engagement may not achieve the business growth and results we expect, which may negatively affect Guest satisfaction, Guest traffic, sales, profits, or liquidity. Our business and desired results depend upon our ability to continue to grow and evolve through various important strategic initiatives. There can be no assurance we will be able to develop or implement these or other important strategic initiatives, or that we have, or will have, sufficient resources to fully and successfully implement, sustain results from, or achieve additional expected benefits from them, which could in turn adversely affect our business.

***The global and domestic economic and geopolitical environment may negatively affect frequency of Guest visits and average ticket spend at our restaurants, which would negatively affect our revenues and our results of operations.***

The global and domestic economic and geopolitical environment affects the restaurant industry and may negatively affect us directly and indirectly through our customers, distributors, and suppliers. These conditions include unemployment, weakness and lack of consistent improvement in the housing markets, downtrend or delays in residential or commercial real estate development, volatility in the U.S. stock market and in other financial markets, inflationary pressures, wage rates, tariffs and other trade barriers, reduced access to credit or other economic factors that may affect consumer confidence. As a result, our Guests may be apprehensive about the economy and maintain or further reduce their level of discretionary spending, especially in a potential recessionary environment. This could affect the frequency with which our Guests choose to dine-out or the amount they spend on meals, thereby decreasing our revenues and potentially negatively affecting our operating results. Also, our Guests may choose to purchase food at supermarkets or other food retailers. We believe there is a risk that prolonged uncertain economic conditions might cause consumers to make long-lasting changes to their discretionary spending behavior, including dining out less frequently or at lower priced restaurants on a more permanent basis, which would have a negative effect on our profitability as we spread fixed costs across a lower level of sales.

***Our success depends on our ability to effectively compete in the restaurant industry to attract and retain Guests.***

Competition in the restaurant industry is intense and barriers to entry are low. Our competitors include a large and diverse group of restaurants in all segments ranging from quick serve and fast casual to polished casual and those verging on fine dining. These competitors range from independent local operators that have opened restaurants in various markets, high growth targeted "better" burger concepts in the quick serve and fast casual space, to the well-capitalized national restaurant companies. Many of these concepts have already captured segments of the market that we are targeting, and are expanding faster than we are, penetrating both desirable geographic and demographic markets. Many of our competitors are well established in the casual dining market segment and in certain geographic locations and some of our competitors have substantially greater financial, marketing, and other resources than we have available. Accordingly, they may be better equipped than us to increase marketing or to take other measures to maintain their competitive position, including the use of significant discount offers to attract Guests.

***Decreased cash flow from operations, or an inability to access credit or successfully execute our potential sale-leaseback transactions could negatively affect our business initiatives or may result in our inability to execute our revenue, expense, and capital deployment strategies.***

Our ability to fund our operating plans and to implement our capital deployment strategies depends on sufficient cash flow from operations or other financing, including using funding under our revolving Credit Facility and from potential sale-leaseback transactions. The Company is working to complete a third sale-leaseback transaction and if completed, anticipated proceeds will be used to repay debt. Our capital deployment strategies include but are not limited to paying down debt, maintaining and improving existing restaurants and infrastructure, and executing on our long-term transformation strategy. If we experience decreased cash flow from operations, or an inability to access new capital on acceptable terms with acceptable interest rates if needed, our ability to fund our operations and planned initiatives, and to take advantage of growth opportunities, may be delayed or negatively affected. In addition, these disruptions and any resulting negative effect on our net income, cash flows, or other relevant financial performance metrics under our revolving Credit Facility could affect our ability to borrow or comply with our covenants under that facility.

***If we are unable to comply with the financial and other covenants in our Credit Facility, our financial condition could be negatively affected.***

Our Credit Facility contains financial and other restricted covenants, including among others, a Total Net Leverage ratio covenant. A breach of these covenants could result in default, and if such default is not cured or waived, our lenders could accelerate our debt and declare it immediately due and payable. If this occurs, we may not be able to repay or borrow sufficient funds to refinance the debt. Even if financing is available, it may not be on acceptable terms. A default under our Credit Facility could cause a material adverse effect on our financial condition, including our liquidity and cash flows.

***A privacy or security breach involving our information technology systems, or the failure of our data security measures could interrupt our business, damage our reputation, and negatively affect our operations and profits.***

The protection of Guest, Team Member, and Company data is critical to us. We are subject to laws and regulations relating to information security, privacy, cashless payments, consumer credit, and fraud. Additionally, an increasing number of government and industry groups have established laws and standards for the protection of personal and health information. The regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements including the California Consumer Privacy Act (CCPA) and other similar legislative initiatives. Compliance with these requirements may result in cost increases due to necessary system changes and the development of new administrative processes, and if we fail to comply with the laws and regulations regarding privacy and security, we could be exposed to risks of fines, investigations, litigation and disruption of our operations.

Moreover, we accept electronic payment cards from our Guests for payment in our restaurants. In the ordinary course of our business, we receive and maintain certain personal information from our Guests, Team Members, and vendors, and we process Guest payments using payment information. Customers and employees have a high expectation we will adequately protect their personal information. Third parties may have the technology or know-how to breach the security of this customer information, and our security measures and those of our technology vendors may not effectively prohibit others from obtaining improper access to this information. Although we employ security technologies and practices and have taken other steps to try to prevent a cybersecurity incident, we have in the past and could be impacted by a cyber-attack, due to the rapidly increasing number of cybersecurity threats. We have in the past been subject, and we could in the future become subject, to claims, lawsuits, or other proceedings for purportedly fraudulent transactions arising out of the theft of credit or debit card information, compromised security and information systems, failure of our employees to comply with applicable laws, the unauthorized acquisition or use of such information by third parties, or other similar claims. Any such incidents or proceedings could disrupt the operation of our restaurants, adversely affect our reputation, Guest confidence, and our results of operations, or result in the imposition of penalties or cause us to incur significant unplanned losses and expenditures, including those necessary to remediate any damage to persons whose personal information may have been compromised. Although we have established a number of procedures designed to increase transparency and address our Guests' concerns regarding data breaches (whether actual or perceived), this policy may not be effective in addressing those concerns, which may in turn adversely affect our reputation and Guest confidence. We maintain a separate insurance policy covering cyber security risks and such insurance coverage may, subject to policy terms and conditions, cover certain aspects of cyber risks, but is subject to a retention amount and may not be applicable to a particular incident or otherwise may be insufficient to cover all our losses beyond any retention. Further, in light of recent court rulings and amendments to policy forms, there is uncertainty as to whether traditional commercial general liability policies will be construed to cover the expenses related to a cyber-attack and breaches if credit and debit card information is stolen.

Because of the number of credit card transactions we process, we are required to maintain the highest level of PCI Data Security Standard compliance at our Restaurant Support Center and Company-owned restaurants. As part of an overall security program and to meet PCI standards, we undergo regular external vulnerability scans and we are reviewed by a third party assessor. As PCI standards change, we may be required to implement additional security measures. If we do not maintain the required level of PCI compliance, we could be subject to costly fines or additional fees from the card brands that we accept or lose our ability to accept those payment cards. Our franchisees are separate businesses that have different levels of compliance required depending on the number of credit card transactions processed. If our franchisees fail to maintain the appropriate level

of PCI compliance or they experience a security breach, it could negatively impact their business operations, and we could face a loss of or reduction in royalties or other payments they are required to remit to us and it could adversely affect our reputation and Guest confidence.

***If there is a material failure in our information technology systems, our business operations and profits could be negatively affected, and our systems may be inadequate to support our future growth strategies.***

We rely heavily on information technology systems in all aspects of our operations including our restaurant point-of sale systems, financial systems, marketing programs, employee engagement, supply chain management, cyber-security, and various other processes and transactions. This reliance has grown since the onset of the COVID-19 pandemic as we have had to rely to a greater extent on systems such as online ordering, contactless payments, online reservations, and systems supporting a remote workforce. Our ability to effectively manage and run our business depends on the reliability and capacity of our information technology systems, including technology services and systems for which we contract from third parties. These systems and services may be insufficient to effectively manage and run our business. These systems and our business needs will continue to evolve and require upgrading and maintenance over time, consequently requiring significant future commitments of resources and capital.

We cannot provide assurance, however, that the measures we take to secure and enhance these systems will be sufficient to protect our information technology systems and prevent cyber-attacks, system failures or data or information loss. Cyber-attacks, malicious internet-based activity and online and offline fraud are prevalent and continue to increase. In addition to traditional computer “hackers,” threat actors, personnel (such as through theft or misuse), sophisticated nation-states and nation-state supported actors now engage in attacks. We continue to be subject to a variety of evolving threats, including but not limited to social engineering, such as phishing, malicious code (such as viruses and worms), malware (including as a result of advanced persistent threat intrusions), denial-of-service attacks (such as credential stuffing), personnel misconduct or error, supply-chain attacks, software bugs, server malfunctions and large-scale, complex automated attacks that can evade detection for long periods of time. Ransomware attacks, including those perpetrated by organized criminal threat actors, nation-states and nation-state supported actors, are becoming increasingly prevalent and severe and can lead to significant interruptions in our operations, loss of data and income, reputational harm and diversion of funds. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments.

In the past, we have experienced the negative impacts of a breach of a service providers' network. Any breach of our or our service providers' networks, or other vendor systems, may result in the loss of confidential business and financial data, misappropriation of our consumers', users' or employees' personal information or a disruption of our business. Any of these outcomes could have a material adverse effect on our business, including unwanted media attention, impairment of our consumer and customer relationships, damage to our reputation, resulting in lost sales and consumers, fines, lawsuits, government enforcement actions (for example, investigations, fines, penalties, audits and inspections) or significant legal and remediation expenses. We also may need to expend significant resources to protect against, respond to and/or redress problems caused by any breach. Additionally, if third parties on which we rely experience cybersecurity incidents, we may not become aware of such incidents in a timely manner, which may impact our ability to mitigate their impacts, which may exacerbate the risks described above.

In addition, the increased use of employee-owned devices for communications as well as work-from-home arrangements, such as those initially implemented in response to the COVID-19 pandemic, present additional operational risks to our information technology systems, including, but not limited to, increased risks of cyber-attacks. Our software or information technology systems, or that of third parties upon who we rely to operate our business, may have material vulnerabilities and, despite our efforts to identify and remediate these vulnerabilities, our efforts may not be successful or we may experience delays in developing and deploying remedial measures designed to address any such identified vulnerabilities. It may be expensive and time-consuming to remediate material vulnerabilities, and our operations, reputation, sales and financial performance may be adversely impacted if we are not able to successfully and promptly remediate such vulnerabilities. Further, like other companies in the restaurant industry, we have in the past experienced, and we expect to continue to experience, cyber-attacks, including phishing attacks, and other attempts to breach or gain unauthorized access to, our systems. However, despite the precautions we take to mitigate the risks of such events, an attack on our enterprise information technology system, or those of third parties with which we do business, could result in theft or unauthorized disclosure of our proprietary or confidential information or a breach of confidential customer, supplier or employee information. Such events could impair our ability to conduct our operations or cause disruptions to our supply chain, which could have an adverse impact on revenue and harm our reputation. Additionally, such an event could expose us to regulatory sanctions or penalties, lawsuits or other legal action or cause us to incur legal liabilities and costs, which could be significant, in order to address and remediate the effects of an attack and related security concerns. The insurance coverage we maintain may be inadequate to cover claims or liabilities relating to a cybersecurity attack.

We also use information technology systems to process financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. If these systems suffer severe damage, disruption or shutdown and our business continuity plans, or those of our vendors, do not effectively resolve the issues in a timely manner, we could experience delays in reporting our financial results, which could result in lost revenues and profits, as well as reputational damage. Furthermore, we depend on information technology systems and personal information collection for digital marketing, digital commerce, consumer engagement and the marketing and use of our digital products and services. We also rely on our ability to engage in electronic communications throughout the world between and among our employees as well as with other third parties, including customers, suppliers, vendors, and consumers. Any interruption in information technology systems may impede our ability to engage in digital commerce and result in lost revenues, damage to our reputation, and loss of users.

Moreover, these technology services and systems, communication systems, and electronic data could be subject or vulnerable to damage or interruption from earthquakes, terrorist attacks, floods, fires, power loss, telecommunications failures, computer viruses, loss of data, data breaches, or other attempts to harm our systems. A failure of these systems to operate effectively, problems with transitioning to upgraded or replacement systems, or any other failure to maintain a continuous and secure information technology network for any of the above reasons could result in interruption and delays in Guest services, adversely affect our reputation, and negatively impact our results of operations.

***Our marketing and branding strategies to attract, engage, and retain our Guests, including anticipated changes to our loyalty program, may not be successful, which could negatively affect our business.***

While we persistently refine our communication strategies to effectively target and compete for the right customers, it's essential to acknowledge potential challenges that may arise. For example, our Red Robin Royalty™ loyalty program has historically contributed to sales and Guest count growth. We plan to launch a new loyalty program in 2024 to transition to a points-based program to reward our most loyal guests, but we cannot guarantee this new loyalty program will be a success. We also plan to launch a new marketing program in 2024 designed to drive sales and traffic. If our advertising, branding, and other marketing initiatives fall short, there is a risk that we may not achieve the expected levels of restaurant sales or Guest traffic, potentially impacting our financial results negatively. Furthermore, the competitive landscape presents a challenge, as some competitors boast larger marketing resources and more extensive national strategies, potentially limiting our ability to successfully compete against these well-established programs.

***If we are unable to effectively use and monitor social media, our marketing efforts as well as our reputation could be harmed, which could negatively impact our restaurant sales and financial performance.***

As part of our marketing efforts, we rely on an omni-channel creative strategy including increased social and digital engagement platforms, including Facebook®, Instagram®, and Twitter® to attract and retain Guests. As a result, we need to continuously innovate and develop our social media strategies to maintain broad appeal. Many of our competitors are expanding their use of social media and new social media platforms are rapidly being developed, potentially making more traditional social media platforms obsolete and making it challenging for us to differentiate our social media messaging. As a result, we need to continuously innovate and develop our social media strategies to maintain broad appeal.

Social media can be challenging because it provides consumers, employees, and others with the ability to communicate approval or displeasure with a business, in near real time, and provides any individual with the ability to reach a broad audience and with comments that are often not filtered or checked for accuracy. If we are unable to quickly and effectively respond, any negative publicity could "go viral" causing nearly immediate and potentially significant harm to our brand and reputation, whether or not factually accurate. In addition, social media can facilitate the improper disclosure of proprietary information, exposure of personally identifiable information, fraud, or out-of-date information.

As a result, if we do not appropriately manage our social media strategies, our marketing efforts in this area may not be successful and any failure (or perceived failure) to effectively respond to negative or potentially damaging social media chatter, whether accurate or not, could damage our reputation, negatively impacting our restaurant sales and financial performance. The inappropriate use of social media vehicles by our Guests or Team Members could increase our costs, lead to litigation, or result in negative publicity that could damage our reputation.

***Changes in consumer preferences could negatively affect our results of operations.***

The restaurant industry is characterized by the continual introduction of new concepts and is subject to rapidly changing consumer preferences, tastes, and eating and purchasing habits. Our restaurants compete on the basis of a varied menu and feature burgers, salads, soups, appetizers, other entrees, desserts, and our signature alcoholic and non-alcoholic beverages, and we are in the process of rolling out Donatos® pizza to our restaurants. Our success depends, in part, upon the continued popularity of these foods and this style of dining. Shifts in consumer preferences away from this cuisine or dining style could have a material adverse effect on our future profitability. In addition, competitors' use of significant advertising and food

discounting could influence our Guests' dining choices. There is no assurance that the addition of Donatos® pizza to our menu will not negatively impact our brand or cannibalize sales of core menu items.

Further, changing health or dietary preferences may cause consumers to avoid our products in favor of alternative foods. The food service industry as a whole rests on consumer preferences and demographic trends at the local, regional, and national levels. New information or changes in dietary, nutritional or health guidelines, among other things, may affect consumer choice and cause consumers to significantly alter their dining choices in ways that adversely affect our sales and profitability.

***We are subject to all of the risks associated with leasing space subject to long-term non-cancelable leases, and risks related to renewal.***

As of December 31, 2023, 398 of our 415 Company-owned restaurants are located on leased premises. We have in the past and may in the future engage in sale-lease back transactions, which have and may in the future increase the number of our leased properties. For example, in 2023, we completed two such transactions, selling and simultaneously leasing back an aggregate of 18 previously owned properties. Payments under our operating leases account for a significant portion of our operating expenses. Additional sites that we lease are likely to be subject to similar long-term non-cancelable leases. In connection with closing restaurants, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term.

In addition, as each of our leases expires, there can be no assurance we will be able to renew our expiring leases after the expiration of all remaining renewal options, either on commercially acceptable terms or at all. As a result, we may incur additional costs to operate our restaurants, including increased rent and other costs related to the negotiation of terms of occupancy of an existing leased premise. If we are unable to renew a lease or determine not to renew a lease, there may be costs related to the relocation and development of a replacement restaurant or, if we are unable to relocate, reduced revenue.

***Changes in consumer buying patterns, particularly due to declines in traffic near our leased locations, and increases in online sales, may affect our revenues, operating results, and liquidity.***

The success of our restaurants depends in large part on leased locations. Our restaurants are primarily located near high density retail areas such as regional malls, lifestyle centers, big box shopping centers, and entertainment centers. We depend on a high volume of visitors at these centers to attract Guests to our restaurants. As demographic and economic patterns change, current locations may or may not continue to be attractive or profitable. Online sales continue to increase and negatively impact consumer traffic at traditional "brick and mortar" retail sites located in regional malls, lifestyle centers, big box shopping centers and entertainment centers. A decline in development or closures of businesses in these settings or a decline in visitors to retail areas near our restaurants could negatively affect our restaurant sales. In addition, we compete with other restaurants and retail establishments for prime real estate locations. Desirable locations for the relocation of existing restaurants may not be available at an acceptable cost, due in part to the inability to easily terminate a long-term lease.

During the COVID-19 pandemic, off-premises sales, specifically delivery, increased due to consumer demand for convenience. While we plan to continue to invest in the growth of our off-premises sales, there can be no guarantee we will maintain or increase such sales. Off-premises sales could also cannibalize dine-in sales, or our systems and procedures may not be sufficient to handle off-premises sales, which may require additional investments in technology or people. Additionally, a large percentage of delivery from our restaurants is through third party delivery companies. These third party delivery companies require us to pay them a commission, which lowers our profit margin on those sales, and delivery drivers make errors, fail to make timely deliveries, damage our food or poorly represent our brand, which may lead to customer disappointment, reputational harm and unmet sales expectations. Any bad press, whether true or not, regarding third party delivery companies or their business model may negatively impact our sales. While we have introduced an alternative to third party delivery by offering an online Company platform to collect orders and outsource the "last mile" of delivery, we may not be able to convert Guests to our platform and that model remains subject to some of the same risks.

***Our operations are susceptible to the changes in cost and availability of commodities which could negatively affect our operating results.***

Our profitability depends in part on our ability to anticipate and react to changes in commodity costs. Various factors beyond our control, including adverse weather conditions, governmental regulation and monetary policy, trade barriers and import tariffs, product availability, recalls of food products, and seasonality, as well as the effects of the current macroeconomic environment on our suppliers, may affect our commodity costs or cause a disruption in our supply chain. In an effort to mitigate some of this risk, we enter into fixed price agreements on some of our food and beverage products, including certain proteins, produce and cooking oil. As of the end of 2023, approximately 50% of our estimated 2024 annual food and beverage purchases were covered by fixed price contracts, most of which are scheduled to expire at various times through 2024. Changes in the price or availability of commodities for which we do not have fixed price contracts could have a material adverse effect on our profitability. Expiring contracts with our food suppliers could also result in unfavorable renewal terms and therefore increase costs associated with these suppliers or may necessitate negotiations with alternate suppliers. We may be unable to obtain



favorable contract terms with suppliers or adjust our purchasing practices and menu prices to respond to changing food costs, and a failure to do so could negatively affect our operating results.

***We may experience interruptions in the delivery of food and other products from third parties.***

Our restaurants depend on frequent deliveries of fresh produce, food, beverage, and other products. This subjects us to the risk of interruptions in food and beverage supplies that may result from a variety of causes including, but not limited to, outbreaks of food-borne illness, disruption of operation of production facilities, financial difficulties, including bankruptcy of our suppliers or other unforeseen circumstances, especially where a product comes from a single or small number of suppliers. Such shortages could adversely affect our revenue and profits. Our restaurants bear risks associated with the timeliness of deliveries by suppliers and distributors as well as the solvency, reputation, labor relationships, freight rates, and health and safety standards of each supplier and distributor. We strive to have multiple approved suppliers on key items; however, the Company is undertaking initiatives to consolidate suppliers and there are situations where we only have one approved supplier, which increases the risk to our supply chain if something were to happen to interrupt the supplier's ability to continue supplying the Company. Other significant risks associated with our suppliers and distributors include improper handling of food and beverage products, and/or the adulteration or contamination of such food and beverage products.

***Price increases may negatively affect Guest visits.***

From time to time, we increase prices, primarily to offset increased costs and operating expenses. We cannot provide assurance that any future price increases will not deter Guests from visiting our restaurants, reduce the frequency of their visits, or affect their purchasing decisions.

***New or improved technologies or changes in consumer behavior facilitated by these technologies could negatively affect our business.***

Advances in technologies or certain changes in consumer behavior driven by such technologies could have a negative effect on our business. Technology and consumer offerings continue to develop, and we expect new or enhanced technologies and consumer offerings will be available in the future. We may pursue certain of those technologies and consumer offerings if we believe they offer a sustainable Guest proposition and can be successfully integrated into our business model. However, we cannot predict consumer acceptance of these delivery channels or their impact on our business. In addition, our competitors, some of whom have greater resources than us, may be able to benefit from changes in technologies or consumer acceptance of such changes, which could harm our competitive position. There can be no assurance we will be able to successfully respond to changing consumer preferences, including with respect to new technologies or to effectively adjust our product mix, service offerings, and marketing initiatives for products and services that address, and anticipate advances in, technology, and market trends. Additionally, from time to time, we implement new or different technologies in our restaurants, including our recent decision to introduce flat top cooking methods into our restaurants. These initiatives have involved and may in the future involve significant capital expenditures, and may involve unexpected expenditures for training, maintenance or otherwise, and may ultimately not produce the results we anticipate. If we are not able to successfully respond to these challenges, our business, financial condition, and operating results could be harmed.

***Expanding our restaurant base is a component of our long-term growth and our ability to open and profitably operate new restaurants is subject to factors beyond our control.***

The expansion of our restaurant base depends in large part on our ability and the ability of our franchisees to timely and efficiently open new restaurants and to operate these restaurants on a profitable basis. Delays or failures in opening new restaurants, or the inability to profitably operate them once opened, could materially and adversely affect our planned growth. The success of our expansion strategy and the success of new restaurants depends upon numerous factors, many of which are beyond our control, including the following:

- changes to or volatility in the macroeconomic environment nationally and regionally, which could affect restaurant-level performance and influence our decisions on the rate of expansion, timing, and the number of restaurants to be opened;
- competition in our markets and general economic conditions that may affect consumer spending or choice;
- our ability to locate, hire, train, and retain qualified operating Team Members to staff our new restaurants, especially our Managing Partners and Market Partners;
- identification of and ability to secure an adequate supply of available and suitable restaurant sites;
- timely adherence to development schedules;
- cost and availability of capital to fund restaurant expansion and operation;
- negotiation of favorable lease and construction terms;

- the availability and cost of construction materials and labor;
- our ability to manage construction and development costs of new restaurants;
- unforeseen environmental problems with new locations;
- securing required governmental approvals and permits, including liquor licenses, in a timely manner or at all;
- our ability to attract and retain Guests;
- weather, natural disasters, and other calamities; and
- our ability to operate at acceptable profit margins.

***The ongoing need for maintenance and improvements at our existing restaurants requires us to spend significant capital and we may not achieve a return on investment.***

Many of our existing restaurants are mature and require capital expenditures for maintenance and improvement to remain competitive and maintain our brand standard. Additionally, we announced plans to test a restaurant renovation program, including upgrading interior ambience and exterior appeal of our restaurants. These initiatives involve significant capital expenditures. If we do not make these capital investments or do not achieve a return on the investment, our business, profitability, and our ability to compete effectively could be harmed.

***We are subject to the risks presented by acquisitions or refranchising.***

As part of our expansion efforts, we have acquired some of our franchised restaurants in the past. In the future, we may, from time to time, consider opportunistic acquisitions or dispositions of restaurants. We may in the future pursue refranchising with quality operators in certain identified markets. Any future acquisitions or dispositions will be accompanied by the risks commonly encountered in acquisitions. These risks include among other things:

- the difficulty of integrating operations and Team Members;
- the potential disruption to our ongoing business;
- the potential distraction of management;
- the effect on selling, general, and administrative expenses and earnings;
- the inability to maintain uniform standards, controls, procedures, and policies; and
- the impairment of relationships with Team Members and Guests as a result of changes in ownership and management.

***New or less mature restaurants, once opened, may vary in profitability and levels of operating revenue for six months or more.***

New and less mature restaurants typically experience higher operating costs in both dollars and percentage of revenue initially when compared to restaurants in the comparable restaurant base. There is no assurance new restaurants in the future will continue to experience success. It takes approximately six months or more for new restaurants to reach normalized operating levels due to inefficiencies and other factors typically associated with new restaurants. These factors include operating costs, which are often significantly greater during the first several months of operation, and fluctuating Guest counts at new locations, as well as competition from our competitors or our own restaurants, consumer acceptance of our restaurants in new markets and lack of market awareness of our brand in a new market. Further, there is no assurance our less mature restaurants will attain operating results similar to those of our existing restaurants.

***The large number of Company-owned restaurants concentrated in the Western United States makes us susceptible to changes in economic and other trends in that region.***

As of December 31, 2023, a total of 167 or 40% of our 415 Company-owned restaurants, representing 49% of restaurant revenues, were located in the Western United States (i.e., Arizona, California, Colorado, Nevada, Oregon, Idaho, New Mexico, Utah, and Washington state). As a result of our geographic concentration, negative publicity regarding any of our restaurants in the Western United States, as well as regional differences in the legal, regulatory, and litigation environment, could have a material adverse effect on our business and operations, as could other regional occurrences such as local strikes, regional cost-of-living increases, energy shortages, or increases in energy prices, droughts, earthquakes, fires, or other natural disasters.

***We rely on our Senior Executive Team for the development and execution of our business strategy and the loss of any member of our Senior Executive Team could negatively affect our operating results.***

We recently implemented significant changes in our senior executive management team to support the Company's new "North Star" five-point plan. Key members of our senior executive management team are central to our success and difficult to replace. We may be unable to retain them or attract other highly qualified senior executives, particularly if we do not offer

competitive employment terms. The loss of the services of any of our key senior executives or the failure to implement an appropriate succession plan could prevent us from achieving our business strategy and initiatives, which could adversely affect our operating results.

Changes in our management team can also disrupt our business. The failure to successfully transition and assimilate key employees could adversely affect our results of operations. To the extent we do not effectively hire, onboard, retain, and motivate key employees, our business can be harmed.

***If we are unable to successfully recruit and retain qualified restaurant management and operations Team Members in an increasingly competitive market, we may be unable to effectively operate and grow our business and revenues, which could materially adversely affect our financial performance.***

Our ability to attract, retain, and motivate qualified management and operating Team Members is central to providing the desired Guest and Team Member experience in our restaurants and delivering on our business strategy. Qualified management and operations Team Members are currently in high demand. Labor shortages in our industry and in the broader economy have disrupted, and may further disrupt, our ability to maintain adequate staffing levels at our restaurants. Increasing competition in the market for Team Members may increase our labor costs, including by requiring us to take additional measures to ensure that our compensation and benefits for Team Members remain competitive within the restaurant industry and with other industries that compete with us for workers, which could materially increase our expenses, or take measures to limit the impact of staffing shortages on the Guest experience.

From time to time, we make capital expenditures for, and commit management resources towards, efforts aimed at improving our competitiveness and our ability to attract and retain qualified management and operating Team Members, such as our recently launched Market Partner and Managing Partner compensation programs designed to reward these Team Members based on the profits of the restaurants they oversee. Additionally, we have made and may continue making changes to our service model, including adding back bussers and providing servers with fewer tables. We may not be successful in implementing these initiatives, and they may not lead to the benefits or results that we anticipate. If we are unable to attract and retain qualified people, our restaurants could be short staffed, we may be forced to incur overtime expenses, hourly Team Member turnover could increase, and our ability to operate our restaurants and roll out new service model and technology solutions effectively could be limited, and the Guest experience could be negatively affected, leading to a decline in traffic and sales, which could materially adversely affect our financial performance.

***Our revenues and operating results may fluctuate significantly due to various risks and unexpected circumstances, including adverse weather conditions, natural disasters, climate change, pandemics, and other factors outside our control that could increase costs, disrupt our supply change, and impact seasonality, among other things.***

We are subject to a number of significant risks that might cause our actual quarterly and annual results to fluctuate significantly or be negatively affected. Adverse weather conditions, natural disasters, climate change, or catastrophic events, such as terrorist acts, can adversely impact restaurant sales. Natural disasters such as earthquakes, hurricanes, and severe adverse weather conditions, climate change and health pandemics may keep customers in the affected area from dining out, adversely affect consumer spending and confidence levels. These events may also impact the cost and availability of key commodities such as beef, poultry, potatoes, and other important ingredients in our products; cause material disruptions in our supply chain; impact borrowings and interest rates; cause damage to or closure of restaurants, or result in lost opportunities for our restaurants.

Moreover, our business fluctuates seasonally. Prior to the onset of the COVID-19 pandemic, sales in most of our restaurants have been higher during the summer months and winter holiday season. As a result, our quarterly and annual operating results and comparable restaurant sales may fluctuate significantly as a result of seasonality and the factors discussed above. Accordingly, results for any one quarter or year are not necessarily indicative of results to be expected for any other quarter or for any year, and comparable restaurant sales for any particular future period may decrease.

***Our franchisees could take actions that could harm our business, expose us to liability or damage our reputation.***

Franchisees are independent entities and are not our employees, partners, or affiliates. We share with our franchisees what we believe to be best practices in the restaurant industry; however, franchisees operate their restaurants as independent businesses. Consequently, the quality of franchised restaurant operations may be diminished by any number of factors beyond our control. Moreover, franchisees may not successfully operate restaurants in a manner consistent with our standards and requirements or may not hire and train qualified managers and other restaurant Team Members. In addition, as independent businesses, franchisees may not be required to comply with the same levels of business or regulatory compliance we are. While we try to ensure the quality of our brand and compliance with our operating standards, and the confidentiality thereof, are maintained by all of our franchisees, we cannot provide assurance our franchisees will avoid actions that negatively affect the reputation of Red Robin or the value of our proprietary information. Our image and reputation and the image and reputation of

other franchisees may suffer materially, and system-wide sales could significantly decline if our franchisees do not operate restaurants according to our standards.

We are subject to federal and state laws that regulate the offer and sale of franchises and aspects of the licensor-licensee relationship. Further, there have been historical actions before the National Labor Relations Board (NLRB) where it was alleged that a parent company could be held liable for the actions of its franchisees, including potentially jointly liable for labor and wage violations by its franchisees. Failure to comply with the laws and regulations governing our franchisee relationships or adverse decisions similar to the above-described NLRB actions could subject us to liability for actions of the franchisees, or expose us to liability to franchisees, or fines and penalties for non-compliance.

***Food safety and food-borne illness concerns, and any related unfavorable publicity could have an adverse effect on our business.***

We dedicate substantial resources to ensuring our Guests enjoy safe, quality food products. Nonetheless, restaurant businesses such as ours can be adversely affected by publicity resulting from complaints or litigation regarding poor food quality, food-borne illness, personal injury, food tampering, communicable disease, adverse health effects of consumption of various food products or high-calorie foods, or other concerns. Food safety issues also could be caused by food suppliers or distributors and, as a result, could be out of our control. Regardless of the source or cause, any report of food-borne illnesses such as E. coli, norovirus, listeria, hepatitis A, salmonella, or trichinosis, as well as other food safety issues including food tampering or contamination, at one of our or a franchisee's restaurants, could adversely affect our reputation and have a negative impact on our sales. The occurrence of food safety issues could also adversely affect the price and availability of affected ingredients, resulting in higher costs and lower margins.

***Health concerns relating to the consumption of beef, chicken, or other food products could affect consumer preferences and could negatively affect our results of operations.***

Consumer preferences could be affected by health concerns about food-related illness, the consumption of beef (which is the key ingredient in many of our menu items), or negative publicity or publication of government or industry findings concerning food quality, illness, and injury. Further, consumers may react negatively to reports concerning our food products or health or other concerns or operating issues stemming from one or more of our restaurants. Such negative publicity, whether or not valid, may negatively affect demand for our food and could result in decreased Guest traffic to our restaurants. A decrease in Guest traffic to our restaurants as a result of these health concerns or negative publicity or as a result of a change in our menu or concept could materially harm our business and negatively affect our profitability.

***Our business could be adversely affected by increased labor costs, including costs related to the increase in minimum wage and new health care laws.***

Labor is a primary component in the cost of operating our business. Increased labor costs, whether due to competition, unionization, increased minimum and tip wage, state unemployment rates, employee benefits costs, or otherwise, may adversely impact our operating expenses. A considerable amount of our restaurant Team Members are paid at rates related to the federal, state, or local minimum wage. Further, we have a substantial number of restaurants located in states or municipalities where the minimum wage is greater than the current federal minimum wage, including California, Washington, Oregon, Colorado, and New York. For example, California enacted legislation that increased its minimum wage through a series of annual rate increases, from \$10.50 an hour in January 2017 to \$16 an hour in January 2024, and some California localities currently mandate wages higher than the state minimum. Effective April 1, 2024, a fast-food restaurant minimum wage of \$20 per hour will go into effect for employers with over 60 locations. While we are a full-service restaurant company, this legislation could impact our ability to attract and retain Team Members in California. In addition, the Biden administration and members of Congress have called for an increase in the federal minimum wage and tip credit wage (or eliminate the tip credit altogether) and more mandated benefits. We anticipate additional legislation increasing minimum wages and mandated benefits will be enacted in future periods and in other jurisdictions. In addition to increasing the overall wages paid to our minimum wage and tip credit wage earners, these increases create pressure to increase wages and other benefits paid to other Team Members who, in recognition of their tenure, performance, job responsibilities and other similar considerations, historically received a rate of pay exceeding the applicable minimum wage or minimum tip credit wage. Because we employ a large workforce, any wage increase and/or expansion of benefits mandates will have a particularly significant impact on our labor costs. Our vendors, contractors and business partners are similarly impacted by wage and benefit cost inflation, and many have or will increase their price for goods, construction and services in order to offset their increasing labor costs.

In the past, many of our eligible Team Members chose not to participate in our Company-sponsored health care plans for various reasons, but we expect to continue to see increased costs due to the impact of changes in the health care laws. Our distributors and suppliers also may be affected by higher minimum wage or health care costs, which could result in higher costs for goods and services supplied to us. A shortage in the labor pool or other general inflationary pressures or changes could also increase our labor costs.

While we try to offset labor cost increases through price increases, more efficient purchasing practices, productivity improvements, changing staffing models, greater economies of scale and by offering a variety of health plans to our Team Members, there can be no assurance that these efforts will be successful. If we are unable to anticipate and offset increased labor costs, our financial performance could be materially adversely affected. Further, changes to our staffing models in our restaurants due to labor costs or any labor shortages, could negatively impact our ability to provide adequate service levels to our Guests, which could result in adverse Guest reactions and a possible reduction in Guest traffic at our restaurants.

***Our failure to remain in compliance with governmental laws and regulations as they continually evolve, and the associated costs of compliance, could cause our business results to suffer.***

Our business is subject to various federal, state, and local government laws and regulations, including, among others, those relating to our employees, public health and safety, food safety, alcoholic beverage control, public accommodations, data privacy and security, securities regulation, and consumer health regulations, including those pertaining to nutritional content and menu labeling such as the Affordable Care Act, which requires restaurant companies such as ours to disclose calorie information on their menus. These laws and regulations continually evolve and change, and compliance may be costly and time-consuming. Moreover, we may fail to maintain compliance with all laws and regulations despite our best efforts. Changes in applicable laws and regulatory requirements, or failure to comply with them could result in, among other things, increased exposure to litigation, administrative enforcement actions or governmental investigations or proceedings; revocation of required licenses or approvals; fines; and civil and criminal liability. These negative consequences could increase the cost of or interfere with our ability to operate our business and execute our strategies.

Various federal, state, and local employment laws govern our relationship with our Team Members and affect operating costs. These laws govern employee classification, wage rates, fair scheduling and payment requirements including tip credit laws and overtime pay, meal and rest breaks, unemployment and other taxes, health care and benefits, workers' compensation rates, citizenship or residency requirements, labor relations, child labor regulations, and discriminatory conduct. Changes in these laws or our failure to comply with enforcement requirements could require changes to our operations that could harm our operating results. For example, although we require all Team Members to provide us with the government-specified documentation evidencing their employment eligibility, some Team Members, without our knowledge, may not meet federal citizenship or residency requirements, which could lead to a disruption in our work force. In addition, we rely on our Team Members to accurately disclose the full amount of tips received, and we base our FICA tax reporting on the amounts provided to us by such tipped Team Members. Inaccurate FICA tax reporting could subject us to monetary liabilities. A number of other factors could adversely affect our operating results, including:

- additional government-imposed increases in minimum and/or tipped wages, overtime pay, paid leaves of absence, sick leave, and mandated health benefits;
- increased tax reporting and tax payment requirements for employees who receive gratuities;
- a reduction in the number of states that allow gratuities to be credited toward minimum wage requirements; and
- increased employee litigation including claims under federal and/or state wage and hour laws, including the Worker Adjustment and Retraining Notification (WARN) Act of 1988.

There has been increasing public focus by investors, environmental activists, the media and governmental and nongovernmental organizations on social and environmental sustainability matters, including packaging and waste, animal health and welfare, human rights, climate change, greenhouse gases and land, energy and water use. As a result, we have experienced increased pressure and expectations to provide expanded disclosure and make commitments, establish goals or set targets with respect to various environmental and social issues and to take the actions necessary to meet those commitments, goals and targets. If we are not effective in addressing social and environmental sustainability matters, consumer trust in our brand may suffer. In addition, the actions needed to achieve our commitments, goals and targets could result in market, operational, execution and other costs, which could have a material adverse effect on our results of operation and financial condition. Our results of operation and financial condition could be adversely impacted if we are unable to effectively manage the risks or costs to us and our supply chain associated with social and environmental sustainability matters.

We are subject to "dram shop" statutes in some states. These statutes generally allow a person injured by an intoxicated person to recover damages from an establishment that wrongfully served alcoholic beverages to such intoxicated person. Failure to comply with alcoholic beverage control or dram shop regulations could subject us to liability and could negatively affect our business.

***Our future success depends on our ability to protect our intellectual property.***

Our business prospects will depend in part on our ability to protect our proprietary information and intellectual property, including the Red Robin, Red Robin Gourmet Burgers®, Red Robin America's Gourmet Burgers & Spirits®, "YUMMM®", Red Robin Gourmet Burgers and Brews™, and Red Robin Royalty™ names and logos. We have registered or filed applications

for trademarks for these names and logos, among others, with the United States Patent and Trademark Office and in Canada and we have applied to register various trademarks in certain other international jurisdictions. Our trademarks could be infringed in ways that leave us without redress, such as by imitation or by filings by others in jurisdictions where we are not currently registered. In addition, we rely on trade secrets and proprietary know-how in operating our restaurants, and we employ various methods to protect these trade secrets and proprietary know-how. However, such methods may not afford adequate protection and others could independently develop similar know-how or obtain access to our know-how, concepts, and recipes. Consequently, our business could be negatively affected and less profitable if we are unable to successfully defend and protect our intellectual property.

***The Company's effective tax rate could be volatile and materially change as a result of changes in tax laws.***

Prior to the 2020 U.S. presidential election, then presidential candidate Biden proposed an increase in the U.S. corporate income tax rate from 21% to 28%, the creation of a 10% penalty on certain imports, and a 15% minimum tax on worldwide book income. Additionally, a repeal of NOL carrybacks has also been discussed. During 2022, Congress passed, and President Biden signed into law, tax legislation that includes the 15% corporate minimum income tax for certain large corporate taxpayers. At this time, the Company is not subject to the corporate minimum tax and does not project that it will be subject to the tax in the near future. If any or all of President Biden's other proposed legislation (or similar) proposals are ultimately enacted into law, in whole or in part, they could have a negative impact to the Company's effective tax rate and cash tax refunds. Additionally, while we believe our tax estimates are reasonable, the final determination of tax audits could be materially different from our historical income tax provisions and accruals. The results of a tax audit could have a material effect on our results of operations or cash flows in the period which the final determination is made.

***A significant increase in litigation could have a material adverse effect on our results of operations, financial condition, and business prospects.***

As a member of the restaurant industry, we are sometimes the subject of complaints or litigation, including class action lawsuits, or from Guests alleging illness, injury, or other food quality, health, or operational concerns. Negative publicity resulting from these allegations could harm our restaurants, regardless of whether the allegations are valid or whether we are liable. In addition, we are subject to the same risks of negative publicity resulting from these sorts of allegations even if the claim actually involves one of our franchisees.

Any failure by us to comply with the various federal and state labor laws governing our relationship with our Team Members including requirements pertaining to minimum wage, overtime pay, meal and rest breaks, unemployment tax rates, workers' compensation rates, citizenship or residency requirements, child labor regulations, and discriminatory conduct, may have a material adverse effect on our business or operations. We have been subject to such claims from time to time. The possibility of a material adverse effect on our business relating to employment litigation is even more pronounced given the high concentration of Team Members employed in the Western United States, as this region, and California in particular, has a substantial amount of legislative and judicial activity pertaining to employment-related issues. Further, employee claims against us based on, among other things, discrimination, harassment, or wrongful termination may divert our financial and management resources that would otherwise be used to benefit the future performance of our operations.

***Labor organizing could adversely affect our operations and harm our competitive position in the restaurant industry, which could harm our financial performance.***

Our employees or others may attempt to unionize our workforce, establish boycotts or picket lines or interrupt our supply chains which could increase our labor costs, limit our ability to manage our workforce effectively, and cause disruptions to our operations. A loss of our ability to effectively manage our workforce and the compensation and benefits we offer to our staff members could harm our financial performance.

***Our current insurance may not provide adequate levels of coverage against claims.***

There are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure against. Such losses could have a material adverse effect on our business and results of operations. In addition, we self-insure a significant portion of expected losses under our employee health, workers' compensation, general liability, property, and cyber insurance programs. Unanticipated changes in the actuarial assumptions and management estimates underlying our reserves for these losses could result in materially different amounts of expense under these programs, which could have a material adverse effect on our financial condition, results of operations, and liquidity. Failure to obtain and maintain adequate directors' and officers' insurance could materially adversely affect our ability to attract and retain qualified officers and directors.

## Risks Related to Owning Our Stock

*The market price of our common stock is subject to volatility, which has and may continue to attract the interest of activist stockholders or subject us to securities litigation, which could cause us to incur significant expenses, hinder execution of our strategy and impact our stock price.*

During fiscal 2023, the price of our common stock fluctuated between \$5.39 and \$15.63 per share. The market price of our common stock may be significantly affected by a number of factors, including, but not limited to, actual or anticipated variations in our operating results or those of our competitors as compared to analyst expectations, changes in financial estimates by research analysts with respect to us or others in the restaurant industry, and announcements of significant transactions (including mergers or acquisitions, divestitures, joint ventures or other strategic initiatives) by us or others in the restaurant industry. In addition, the equity markets have experienced price and volume fluctuations that affect the stock price of companies in ways that have been unrelated to an individual company's operating performance. The price of our common stock may continue to be volatile, based on factors specific to our Company and industry, as well as factors related to the equity markets overall. Moreover, such volatility has in the past and may in the future attract the interest of activist stockholders, and in the past, following periods of volatility in the market price of a company's stock, securities class action litigation has been brought against companies. Responding to activist stockholders and securities litigation can be costly and time-consuming, and the perceived uncertainties as to our future direction resulting from responding to activist strategies could itself then further affect the market price and volatility of our common stock.

*We may not continue to repurchase our common stock pursuant to our share repurchase program, and any repurchases may not enhance long-term stockholder value. Share repurchases could also increase the volatility of the price of our common stock and could diminish our cash reserves.*

The Company has an authorized share repurchase program. We are not obligated to repurchase shares of common stock under the repurchase program, and the repurchase program may be suspended or terminated at any time. The amount, timing, and execution of repurchases under this repurchase program may fluctuate, and any repurchases by us of our shares of common stock may further reduce cash available for operations and future growth, as well as debt repayment. Our ability to repurchase stock will depend on our ability to generate sufficient cash flows from operations, as supplemented our capacity to borrow funds, which may be subject to economic, financial, competitive and other factors that are beyond our control. Further, our Credit Agreement limits our ability to repurchase shares to certain conditions set forth by the lenders. Continuing share repurchases, or alternatively limiting or halting share repurchases under our share repurchase program may negatively impact investor perception of us and may therefore affect the market price and volatility of our stock.

### ITEM 1B. Unresolved Staff Comments

None.

### ITEM 1C. Cybersecurity

#### Risk Management and Strategy

The Company has an enterprise risk management program to identify, assess, monitor, and manage significant risks of the Company. The Company evaluates cybersecurity risks alongside other critical business risks under this program, and the Company also has a standalone cybersecurity program. The Company's approach to assessing, identifying, and managing material risks from cybersecurity threats is grounded in established frameworks, including those set forth by the National Institute of Standards and Technology (NIST) and other industry standards and requirements as defined by various compliance frameworks. Our cybersecurity program prioritizes key areas such as:

- **Policies, Standards, and Practices:** We maintain comprehensive policies, standards, and practices aligned with industry practices and regulatory requirements. These documents serve as the foundation for our cybersecurity program, providing clear guidelines for safeguarding our information systems and data assets.
- **Threat Monitoring and Assessment:** Continuous monitoring and assessment of cyber threats and vulnerabilities are integral to our risk management strategy. We utilize advanced monitoring tools and threat intelligence sources to proactively identify and address potential security risks. The Company uses third-party service providers to support its operations. The Company evaluates third-party service providers from a cybersecurity risk perspective, which may include an assessment of that service provider's cybersecurity posture or a recommendation of specific mitigation controls.
- **Audits and Assessments:** Regular audits and assessments are conducted by both internal and external experts (consultants, auditors, and other third parties) to evaluate the effectiveness of our cybersecurity controls and processes

and recommend improvements. These assessments help us achieve compliance with internal policies as well as external regulations and standards.

- **Incident Response Planning:** We have developed comprehensive incident response plans to mitigate cybersecurity incidents. These plans outline clear procedures for detecting, responding to, and recovering from security breaches, minimizing the impact on our operations and stakeholders. External technical, legal, and law enforcement support is engaged as needed to support response efforts.

The Company employs a multifaceted approach through in house capabilities and in partnership with external cybersecurity experts to safeguard its assets, including technical and organizational measures. These include the deployment of technology focused on identifying and remediating threats, ongoing employee training exercises, regular incident response capability reviews and exercises, cybersecurity insurance coverage, and business continuity mechanisms.

## **Governance**

Our Board, with the assistance of our Audit Committee, oversees the Company's cybersecurity program and strategies. The Audit Committee receives regular reports and updates, typically quarterly, from our Chief Technology Officer (CTO) on a wide range of cybersecurity topics. These reports include detailed insights into risk assessments, mitigation strategies, emerging threats, vulnerabilities, incidents, and prevailing industry trends. After each such report, the Chair of the Audit Committee updates the full Board for transparency and accountability in cybersecurity governance. Additionally, at least annually and as needed from time to time, the Board receives similar cybersecurity updates directly from the CTO. Further, the Board oversees cybersecurity as part of our enterprise risk management program.

To further bolster the Board's understanding of cybersecurity issues, management facilitates ongoing educational opportunities. For instance, in December 2023, the Board engaged in a discussion with cybersecurity experts on building resilience to cyber risk. These educational initiatives empower Board members to make informed decisions and actively contribute to the oversight of cybersecurity governance.

Our CTO, supported by our Vice President of Infrastructure and Security, assumes primary responsibility for assessing and managing material cybersecurity risks. With over 25 years of experience spanning restaurant, retail, and technology brands, our CTO brings a wealth of expertise to the role. Having previously held similar positions leading and overseeing cybersecurity programs at both private and public companies, our CTO is well-equipped to navigate the complex landscape of cybersecurity threats and challenges.

Our Company has established robust policies and processes governing the assessment, response, and notifications associated with cybersecurity incidents. These protocols ensure a systematic and coordinated approach to incident management, with collaboration among engineering, legal, and senior leadership to oversee compliance with legal and regulatory requirements and have clear mechanisms in place for escalating notifications to our CEO and the Board based on the nature and severity of each incident.

While we have experienced cybersecurity incidents in the past, in the last fiscal year we have not identified risks from known cybersecurity threats, including as a result of prior cybersecurity incidents, that have materially affected the Company or our financial position, results of operations and/or cash flows. We continue to invest in cybersecurity and the resiliency of our networks and to enhance our internal controls and processes, which are designed to help protect our systems and infrastructure, and the information they contain. For more information regarding the risks we face from cybersecurity threats, please see "Risk Factors."

## **ITEM 2. Properties**

We currently lease the real estate for most of our Company-owned restaurant facilities under operating leases with remaining terms ranging from less than one year to over 15 years excluding options to extend. These leases generally contain options which permit us to extend the lease term at an agreed rent or at prevailing market rates. Certain leases provide for contingent rents, which are determined as a percentage of adjusted gross restaurant sales in excess of specified levels. Contingent rental payments are recognized as a variable lease expense when specified levels have been achieved or when management determines achieving the specified levels during the year is probable. Certain lease agreements also require the Company to pay maintenance, insurance, and property tax costs.

We own real estate for 17 Company-owned restaurants located in Arizona (2); California (1); Colorado (4); Florida (1); North Carolina (2); Ohio (1); Pennsylvania (1); Texas (2); Virginia (2); and Washington (1).

Our Restaurant Support Center and test kitchen is located in Englewood, Colorado. We have a dispersed workforce policy that permits many of our Restaurant Support Center Team Members to continue working remotely and we expect that to continue on a go-forward basis. For on-site critical, Company leadership, and those who desire to work in a shared location, we have optimized our office footprint at this location to meet the needs of that population. We occupy this facility under a lease



that expires May 31, 2025. In addition, we occupy approximately 900 square feet and sublease to third parties the first, second, and third floors of a facility in Greenwood Village, Colorado under a lease that expires on May 31, 2025.

Our existing prototype for new Red Robin restaurants is approximately 5,100 square feet with a capacity of approximately 200 seats. We develop restaurants under ground leases on which we build our own restaurants in addition to converting existing buildings on standalone, in-line, end cap, and mall locations. As of December 31, 2023, our restaurant locations comprised approximately 2.6 million square feet.

### **ITEM 3. Legal Proceedings**

For information regarding contingencies related to litigation, please see Note 12. Commitments and Contingencies included within Item 8. Financial Statements and Supplementary Data of Part II of this Annual Report on Form 10-K for the period ended December 31, 2023, the contents of which are incorporated herein by reference.

### **ITEM 4. Mine Safety Disclosures**

Not applicable.

## PART II

### **ITEM 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is listed on The Nasdaq Global Select Market under the symbol RRGB. As of February 26, 2024, there were 84 registered owners of our common stock.

#### **Dividends**

We did not declare or pay any cash dividends on our common stock during 2023, 2022 or 2021. We currently anticipate we will retain future cash flow to service debt, maintain existing restaurants and infrastructure, and execute on our long-term business strategy. Our Credit Facility has certain limitations on paying dividends or making repurchases of our shares, and we are subject to certain covenant ratios, including a leverage ratio under our Credit Agreement.

Any future determination relating to our dividend policy will be made at the discretion of our Board of Directors and will depend on then existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects, and other factors our Board of Directors may deem relevant.

#### **Issuer Purchases of Equity Securities**

During the fiscal year ended December 31, 2023, the Company did not have any sales of securities in transactions that were not registered under the Securities Act that have not been reported in a Current Report on Form 8-K. No share repurchases were made by the Company during fourth quarter 2023 and approximately \$58.4 million remained available for future purchases as of December 31, 2023. Our ability to repurchase shares is limited to certain conditions set forth by our lenders in the Credit Facility.

#### **Performance Graph**

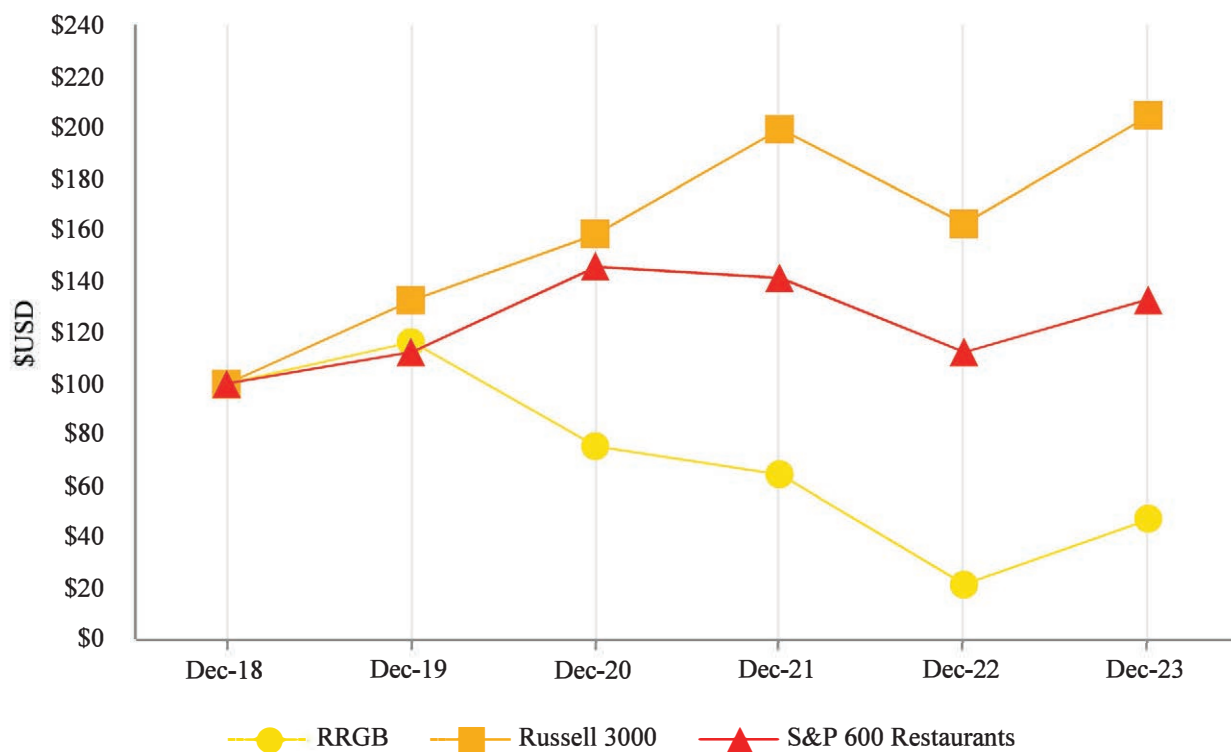
The following graph compares the yearly percentage in cumulative total stockholders' return on Common Stock of the Company since the end of its fiscal year 2018, with the cumulative total return over the same period for (i) The Russell 3000 Index, and (ii) the S&P 600 Restaurants.

Pursuant to rules of the SEC, the comparison assumes \$100 was invested on December 28, 2018, the last trading day in the Company's 2018 fiscal year, in the Company's Common Stock and in each of the indices.

This performance graph shall not be deemed to be "soliciting material" or to be "filed" under either the Securities Act or the Exchange Act.

## COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN<sup>(1)</sup>

Among Red Robin Gourmet Burgers, Inc., The Russell 3000 Index and S&P 600 Restaurants Index



	Fiscal Years Ended					
	December 30, 2018	December 29, 2019	December 27, 2020	December 26, 2021	December 25, 2022	December 31, 2023
Red Robin Gourmet Burgers, Inc. (RRGB)	\$ 100.00	\$ 116.13	\$ 75.22	\$ 64.22	\$ 21.33	\$ 46.67
The Russell 3000 Index	100.00	132.48	158.33	199.31	162.32	204.32
S&P 600 Restaurants <sup>(2)</sup>	\$ 100.00	\$ 112.21	\$ 145.58	\$ 141.17	\$ 112.11	\$ 132.82

<sup>(1)</sup> Represents performance of \$100 invested on December 28, 2018 in stock or index, including reinvestment of dividends based on fiscal year ends for purposes of comparability.

<sup>(2)</sup> The S&P 600 Restaurants includes companies such as Bloomin' Brands Inc., Brinker International, Inc., Chuy's Holdings Inc., Dine Brands Global, Inc., Fiesta Restaurant Group, Inc., and The Cheesecake Factory Incorporated.

### ITEM 6. Reserved

### ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations provides a narrative of our financial performance and condition that should be read in conjunction with the accompanying consolidated financial statements.

The Company's fiscal year ends on the last Sunday of each calendar year. Most of our fiscal years have 52 weeks; however, we experience a 53rd week once every five to six years. Our discussion for fiscal year 2023, which ended on December 31, 2023, refers to a 53-week period with the fifty-third week occurring in the fourth quarter. Our discussion for fiscal years 2022 and 2021, which ended December 25, 2022 and December 26, 2021, refers to a 52-week period in each year. The following discussion comparing our results in 2023 and 2022 refers to the fifty-three weeks ended and fifty-two weeks ended, December 31, 2023 and December 25, 2022, respectively. For a discussion comparing our results from 2022 to 2021,

refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 25, 2022, filed with the SEC on February 28, 2023.

## Overview

### Description of Business

Red Robin Gourmet Burgers, Inc., a Delaware corporation, together with its subsidiaries ("Red Robin," "we," "us," "our" or the "Company"), primarily operates, franchises, and develops casual dining restaurants with 506 locations in North America. As of December 31, 2023, the Company operated 415 Company-owned restaurants located in 39 states. The Company also had 91 franchised restaurants in 14 states and one Canadian province as of December 31, 2023. The Company operates its business as one operating and one reportable segment.

Our primary source of revenue is from the sale of food and beverages at Company-owned restaurants. We also earn revenue from royalties and fees from franchised restaurants.

### Highlights for Fiscal 2023 Compared to Fiscal 2022

- Total revenues are \$1.3 billion, an increase of \$37.5 million.
  - Comparable restaurant revenue<sup>(1)</sup> increased 1.6%.
  - Comparable restaurant dine-in sales<sup>(2)</sup> increased 6.9%.
  - The fifty-third week in 2023 contributed \$24.5 million or 1.9% in restaurant revenue.
- Net loss is \$21.2 million, a decrease of \$57.7 million from a net loss of \$78.9 million during 2022.
- Adjusted EBITDA<sup>(3)</sup> is \$68.9 million, a \$17.2 million increase.
- Completed two Sale-Leaseback transactions, generating net proceeds of \$58.8 million and a gain, net of expenses of \$29.4 million.
- Repaid \$24.9 million of debt and repurchased \$10.0 million of stock.

<sup>(1)</sup> Comparable restaurant revenue represents revenue from Company-owned restaurants that have operated five full quarters as of the 52 weeks ending December 24, 2023. The comparable restaurant base includes 406 restaurants out of the total 415 Company-owned restaurants.

<sup>(2)</sup> Comparable restaurant dine-in sales are calculated based on the Company’s point-of-sale sales data, which does not include adjustments for loyalty breakage.

<sup>(3)</sup> See below for a reconciliation of adjusted EBITDA, a non-GAAP measure, to Net loss.

### Key Performance Indicators and Non-GAAP Financial Measures

Restaurant revenue, compared to the same period in the prior year, is presented in the table below:

	(millions)
Restaurant revenue for the fifty-two weeks ended December 25, 2022	\$ 1,230.2
Increase in restaurant revenue from the fifty-third week	24.5
Increase in comparable <sup>(1)</sup> restaurant revenue	18.8
Increase in non-comparable restaurant revenue	0.7
Total increase	44.1
Restaurant revenue for the fifty-three weeks ended December 31, 2023	\$ 1,274.3

<sup>(1)</sup> Comparable restaurant revenue represents revenue from Company-owned restaurants that have operated five full quarters as of the 52 weeks ending December 24, 2023.

Restaurant revenue and operating costs, and restaurant level operating profit for the period are detailed in the table below:

<b>(Dollars in millions)</b>	<b>Fifty-Three Weeks Ended</b>	<b>Fifty-Two Weeks Ended</b>	<b>2023 compared to 2022</b>
	<b>December 31, 2023</b>	<b>December 25, 2022</b>	<b>Increase/(Decrease)</b>
Restaurant revenue	\$ 1,274.3	\$ 1,230.2	3.6 %
Restaurant operating costs:			
Cost of sales	309.0	306.5	0.8 %
Labor	473.5	440.6	7.5 %
Other operating	225.0	224.7	0.1 %
Occupancy	102.8	98.9	3.9 %
<b>Total Restaurant Operating Costs</b>	<b>\$ 1,110.3</b>	<b>\$ 1,070.6</b>	<b>12.4 %</b>
<b>Restaurant Level Operating Profit<sup>(1)</sup></b>	<b>\$ 164.0</b>	<b>\$ 159.5</b>	<b>2.8 %</b>

<sup>(1)</sup> Restaurant Level Operating Profit is a non-GAAP measure. See below for a reconciliation of Restaurant Level Operating Profit to Income from Operations and Income from Operations as a percentage of total revenues.

<b>(Dollars in millions)</b>	<b>Fifty-Three Weeks Ended</b>	<b>Fifty-Two Weeks Ended</b>	<b>2023 compared to 2022</b>
	<b>December 31, 2023</b>	<b>December 25, 2022</b>	<b>Increase/(Decrease)</b>
Restaurant revenue	\$ 1,274.3	\$ 1,230.2	3.6 %
Restaurant operating costs:	(Percentage of Restaurant Revenue)		(Basis Points)
Cost of sales	24.2 %	24.9 %	(70)
Labor	37.2	35.8	140
Other operating	17.7	18.3	(60)
Occupancy	8.1	8.0	10
<b>Total Restaurant Operating Costs</b>	<b>87.2 %</b>	<b>87.0 %</b>	<b>20</b>
<b>Restaurant Level Operating Profit</b>	<b>12.9 %</b>	<b>13.0 %</b>	<b>(10)</b>

Certain percentage and basis point amounts in the table above do not total due to rounding as well as restaurant operating costs being expressed as a percentage of restaurant revenue and not total revenues.

The following table summarizes net loss and loss per diluted share, and adjusted loss per diluted share for the fifty-three weeks ended December 31, 2023 and fifty-two weeks ended December 25, 2022:

	Fifty-Three Weeks Ended	Fifty-Two Weeks Ended
<b>(Dollars and shares in thousands, except per share amounts)</b>	<b>December 31, 2023</b>	<b>December 25, 2022</b>
Net loss as reported	\$ (21,228)	\$ (78,883)
<b>Loss per share - diluted:</b>		
Net loss as reported	\$ (1.34)	\$ (4.98)
Gift card breakage <sup>(1)</sup>	0.03	(0.33)
Write-off of unamortized debt issuance costs <sup>(2)</sup>	—	0.11
<b>Other charges (gains), net:</b>		
Asset impairment	0.58	2.43
Gain on sale of restaurant property, net of expenses	(1.87)	(0.58)
Severance and executive transition, net of \$128 and \$(3,299) in stock-based compensation	0.22	0.14
Other financing costs <sup>(3)</sup>	—	0.09
Restaurant closure costs, net	0.19	0.05
Closed corporate office costs, net of sublease income	0.03	0.03
Litigation contingencies	0.58	0.26
Asset disposal and other	0.11	0.03
Income tax effect	0.04	(0.58)
Adjusted loss per share - diluted	<u>\$ (1.44)</u>	<u>\$ (3.32)</u>
<b>Weighted average shares outstanding</b>		
Basic	15,835	15,840
Diluted <sup>(4)</sup>	15,835	15,840

<sup>(1)</sup> During 2022, the Company re-evaluated the estimated redemption pattern related to gift cards. The impact of this change in estimate comprised \$5.9 million included in Other revenue, partially offset by \$0.6 million in gift card commission costs included in Selling, general, and administrative expenses on the Consolidated Statements of Operations.

<sup>(2)</sup> During 2022, the Company completed the refinancing of our Credit Facility and reported a non-cash charge associated with the write-off of unamortized debt issuance costs related to the remaining unamortized debt issuance costs.

<sup>(3)</sup> Other financing costs includes legal and other charges related to the refinancing of our Credit Facility in 2022.

<sup>(4)</sup> The impact of dilutive shares is excluded due to the reported net loss for all periods presented.

The following table summarizes net loss, and EBITDA and adjusted EBITDA for the fifty-three weeks ended December 31, 2023 and fifty-two weeks ended December 25, 2022:

	Fifty-Three Weeks Ended	Fifty-Two Weeks Ended
	December 31, 2023	December 25, 2022
Net loss as reported	\$ (21,228)	\$ (78,883)
Interest expense, net	25,796	19,882
Income tax provision (benefit)	310	747
Depreciation and amortization	66,190	76,245
<b>EBITDA</b>	<b>71,068</b>	<b>17,991</b>
Gift card breakage <sup>(1)</sup>	480	(5,246)
Other charges, net:		
Asset impairment	9,130	38,534
Gain on sale of restaurant property	(29,543)	(9,204)
Severance and executive transition	3,419	2,280
Other financing costs <sup>(2)</sup>	—	1,462
Restaurant closure costs	3,062	828
Closed corporate office costs, net of sublease income	416	475
Litigation contingencies	9,140	4,148
Asset disposal and other	1,713	438
<b>Adjusted EBITDA</b>	<b>\$ 68,885</b>	<b>\$ 51,706</b>

<sup>(1)</sup> During 2022, the Company re-evaluated the estimated redemption pattern related to gift cards. The impact of this change in estimate comprised \$5.9 million included in Other revenue, partially offset by \$0.6 million in gift card commission costs included in Selling, general, and administrative expenses on the Consolidated Statements of Operations.

<sup>(2)</sup> Other financing costs includes legal and other charges related to the refinancing of our Credit Facility in 2022.

We define EBITDA as net loss before interest expense, income taxes, and depreciation and amortization. Adjusted EBITDA and Adjusted loss per share-diluted are supplemental measures of our performance that are not required by or presented in accordance with GAAP. We believe these non-GAAP measures give the reader additional insight into the ongoing operational results of the Company, and are intended to supplement the presentation of the Company's financial results in accordance with GAAP. Adjusted EBITDA and adjusted loss per share-diluted exclude the impact of non-operating or nonrecurring items including changes in estimate, asset impairments, litigation contingencies, gains (losses) on debt extinguishment, restaurant and office closure costs, gains on sale leaseback transactions, severance and executive transition costs and other non-recurring, non-cash or discrete items; net of income tax impacts. Other companies may define these non-GAAP measures differently, and as a result may not be directly comparable to those of other companies. Adjusted loss per share-diluted and Adjusted EBITDA should be considered in addition to, and not as a substitute for, net loss as reported in accordance with U.S. GAAP as a measure of performance.

The following table summarizes Income from Operations, and Restaurant Level Operating Profit for the fifty-three weeks ended December 31, 2023 and fifty-two weeks ended December 25, 2022:

	Fifty-Three Weeks Ended		Fifty-Two Weeks Ended	
	December 31, 2023		December 25, 2022	
Income (loss) from operations	\$ 4,542	0.3%	\$ (57,497)	(4.5)%
Less:				
Franchise royalties, fees and other revenue	28,752	2.2%	35,345	2.8%
Add:				
Other charges (gains), net	(2,663)	(0.2)	38,961	3.1
Pre-opening costs	587	—	568	—
Selling	34,770	2.7	51,700	4.1
General and administrative expenses	89,360	6.9	84,912	6.7
Depreciation and amortization	66,190	5.1	76,245	6.0
Restaurant level operating profit	<u>\$ 164,034</u>		<u>\$ 159,544</u>	
Income (loss) from operations as a percentage of total revenues	0.3%		(4.5)%	
Restaurant level operating profit margin (as a percentage of restaurant revenue)	12.9%		13.0%	

The Company believes 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 income from operations less franchise royalties, fees and other revenue, plus other charges (gains), net, pre-opening costs, selling costs, general and administrative expenses, and depreciation and amortization. The measure includes restaurant level occupancy costs that 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 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 costs associated with selling, general, and administrative functions, pre-opening costs, as well as, other charges (gains), net because these costs are non-operating or nonrecurring and therefore not related to the ongoing operations of its restaurants. 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 (loss) from operations as an indicator of financial performance. Restaurant level operating profit as presented may not be comparable to other similarly titled measures of other companies in the Company's industry.

#### Restaurant Data

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



	Fifty-Three Weeks Ended <u>December 31, 2023</u>	Fifty-Two Weeks Ended <u>December 25, 2022</u>
Company-owned:		
Beginning of period	414	430
Opened during the period	1	—
Acquired from franchisees	5	—
Closed during the period	(5)	(16)
End of period	<u>415</u>	<u>414</u>
Franchised:		
Beginning of period	97	101
Opened during the period	—	1
Sold to Company during the period	(5)	—
Closed during the period	(1)	(5)
End of period	<u>91</u>	<u>97</u>
Total number of restaurants	<u><u>506</u></u>	<u><u>511</u></u>

The following table presents total Company-owned and franchised restaurants by state or province as of December 31, 2023:

	<u>Company-Owned Restaurants</u>	<u>Franchised Restaurants</u>
<i>State:</i>		
Arkansas	2	1
Alaska		3
Alabama	4	
Arizona	18	1
California	57	
Colorado	22	
Connecticut	3	
Delaware		5
Florida	17	
Georgia	6	
Iowa	5	
Idaho	8	
Illinois	20	
Indiana	11	
Kansas		5
Kentucky	4	
Louisiana	1	
Massachusetts	5	
Maryland	11	
Maine	2	
Michigan		19
Minnesota	4	
Missouri	8	3
Montana		1
North Carolina	17	
Nebraska	4	
New Hampshire	3	
New Jersey	11	1
New Mexico	3	
Nevada	6	
New York	14	
Ohio	16	2
Oklahoma	5	
Oregon	15	5
Pennsylvania	11	20
Rhode Island	1	
South Carolina	4	
South Dakota	1	
Tennessee	9	
Texas	18	9
Utah	1	5
Virginia	20	
Washington	37	
Wisconsin	11	
<i>Province:</i>		
British Columbia		11
<b>Total</b>	<b>415</b>	<b>91</b>

## Results of Operations

Operating results for each fiscal period presented below are expressed as a percentage of total revenues, except for the components of restaurant operating costs, which are expressed as a percentage of restaurant revenue. Certain percentage amounts in the table below do not total due to rounding as well as restaurant operating costs being expressed as a percentage of restaurant revenue and not total revenues.

	Year Ended	
	December 31, 2023	December 25, 2022
<b>Revenues:</b>		
Restaurant revenue	97.8 %	97.2 %
Franchise revenue	1.2	1.5
Other revenue	1.0	1.3
Total revenues	100.0 %	100.0 %
<b>Costs and expenses:</b>		
Restaurant operating costs <sup>(1)</sup> (excluding depreciation and amortization shown separately below):		
Cost of sales	24.2 %	24.9 %
Labor	37.2	35.8
Other operating	17.7	18.3
Occupancy	8.1	8.0
Total restaurant operating costs	87.2	87.0
Depreciation and amortization	5.1	6.0
Selling, general, and administrative expenses	9.5	10.8
Pre-opening costs	—	—
Other charges (gains), net	(0.2)	3.1
Income (loss) from operations	0.3 %	(4.5)%
<b>Other expense (income):</b>		
Interest expense	2.0 %	1.6 %
Interest (income) and other, net	(0.1)	—
Total other expenses, net	2.0	1.6
Loss before income taxes	(1.6)	(6.2)
Income tax expense (benefit)	0.0	0.1
Net loss	(1.6)%	(6.2)%

<sup>(1)</sup> Expressed as a percentage of restaurant revenue.

## Revenues

(Revenues in thousands)	Year Ended		
	2023	2022	Percent Change
Restaurant revenue	\$ 1,274,294	\$ 1,230,189	3.6 %
Franchise revenue	15,867	19,306	(17.8)%
Other revenue	12,885	16,039	(19.7)%
Total revenues	<u>\$ 1,303,046</u>	<u>\$ 1,265,534</u>	3.0 %
Average weekly net sales volumes in Company-owned restaurants	\$ 59,454	\$ 55,852	6.4 %
Total operating weeks	21,643	22,028	(1.7)%

Restaurant revenue, which comprises primarily food and beverage sales, increased \$44.1 million in 2023, or 3.6%, as compared to 2022. The fifty-third week in 2023 contributed approximately \$24.5 million in restaurant revenue. Of the remaining \$19.6 million increase, \$18.8 million, or 1.6%, was due to an increase in comparable restaurant revenue and the remaining \$0.7 million increase was due to non-comparable restaurants, primarily attributed to the Company's purchase of five restaurants from a Franchisee in the second quarter of fiscal year 2023. The comparable restaurant revenue increase was driven by a 6.8% increase in average Guest check with a 5.2% decrease in Guest count. The increase in average Guest check resulted from a 7.5% increase in menu pricing and 0.9% decrease in discounts, partially offset by a 1.6% decrease in menu mix. The decrease in menu mix was primarily driven by Guests shifting visits from third party delivery platforms with elevated menu prices, to dine in visits at standard menu prices, and the removal of low Guest preference, but higher priced burger options. Dine-in sales comprised 75.0% of total food and beverage sales in 2023, as compared to 71.3% in 2022.

Average weekly net sales volumes represent the total restaurant revenue for all Company-owned Red Robin restaurants for each time period presented, divided by the number of operating weeks in the period. Comparable restaurant revenues include those restaurants that are in the comparable base based on operating five full fiscal quarters as of the end of each period presented. Closed Company-owned restaurants were not included in the comparable base for the fiscal years ended December 31, 2023 and December 25, 2022. Fluctuations in average weekly net sales volumes for Company-owned restaurants reflect the effect of comparable restaurant revenue changes as well as the performance of new restaurants during the period.

Franchise revenue primarily includes royalty income and advertising fund contributions. Franchise revenue decreased \$3.4 million, or 17.8%, in 2023 compared to 2022. Franchise revenue declined primarily due to a reduction in the percentage of sales each franchisee is required to contribute to support selling activities. This reduction results from an increased focus on local restaurant marketing and reduced national and/or mass media channels pursuant to our North Star strategy. The percentage of sales each franchisee is required to contribute could change in the future, as we expect to align contributions with spending levels, subject to compliance with the respective franchise agreement.

Other revenue primarily comprises gift card breakage, which represents the value associated with the portion of gift cards sold that are unlikely to be redeemed, licensing income, and recycling income. During 2023 and 2022, we recognized \$9.9 million and \$13.8 million of gift card breakage.

## Cost of Sales

(In thousands, except percentages)	2023	2022	Percent Change
Cost of sales	\$ 308,962	\$ 306,509	0.8 %
As a percent of restaurant revenue	24.2 %	24.9 %	(0.7)%

Cost of sales, which comprises food and beverage costs, is variable and generally fluctuates with sales volume. Cost of sales as a percentage of restaurant revenue decreased 70 basis points in 2023 as compared to 2022. The decrease was primarily driven by menu price increases and implementation of various cost savings initiatives, partially offset by commodity inflation and investments to enhance food quality.

## Labor

<u>(In thousands, except percentages)</u>	<u>2023</u>	<u>2022</u>	<u>Percent Change</u>
Labor	\$ 473,538	\$ 440,564	7.5 %
As a percent of restaurant revenue	37.2 %	35.8 %	1.4 %

Labor costs include restaurant-level hourly wages and management salaries as well as related taxes and benefits. Labor as a percentage of restaurant revenue increased 140 basis points in 2023 as compared to 2022. The increase was primarily driven by investments in hourly labor, management labor, and related payroll taxes. Additionally, incentive compensation expense increased due to increased achievement of incentive targets, partially offset by lower group insurance expense. In 2023, we made investments in management and hourly labor to support an enhanced Guest experience, with an objective to drive increases in Guest traffic count over time, resulting in an increase in restaurant profitability.

## Other Operating

<u>(In thousands, except percentages)</u>	<u>2023</u>	<u>2022</u>	<u>Percent Change</u>
Other operating	\$ 224,999	\$ 224,704	0.1 %
As a percent of restaurant revenue	17.7 %	18.3 %	(0.6)%

Other operating costs include costs such as equipment repairs and maintenance costs, restaurant supplies, utilities, restaurant technology, and other miscellaneous costs. Other operating costs as a percentage of restaurant revenue decreased 60 basis points compared to the same period in 2022. The decrease was primarily driven by reduced third party commission expenses associated with lower off-premises mix and lower commission rates, and reduced restaurant supply costs primarily due to various cost saving initiatives, partially offset by higher repairs and maintenance costs.

## Occupancy

<u>(In thousands, except percentages)</u>	<u>2023</u>	<u>2022</u>	<u>Percent Change</u>
Occupancy	\$ 102,761	\$ 98,868	3.9 %
As a percent of restaurant revenue	8.1 %	8.0 %	0.1 %

Occupancy costs include fixed rents, property taxes, common area maintenance charges, general liability insurance, contingent rents, and other property costs. In 2023, occupancy costs increased \$3.9 million or 10 basis points as a percentage of revenue compared to 2022. This increase is primarily driven by an increase in fixed rents related to the sale-leaseback of 18 locations and the acquisition of five restaurants from a franchisee, mostly offset by reduced expenses related to net Company-owned restaurant closures.

## Depreciation and Amortization

<u>(In thousands, except percentages)</u>	<u>2023</u>	<u>2022</u>	<u>Percent Change</u>
Depreciation and amortization	\$ 66,190	\$ 76,245	(13.2)%
As a percent of total revenues	5.1 %	6.0 %	(0.9)%

Depreciation and amortization includes depreciation on capital expenditures for restaurants and corporate assets as well as amortization of reacquired franchise rights, leasehold interests, and certain liquor licenses. In 2023, depreciation and amortization expense as a percentage of revenue decreased 90 basis points as compared to 2022. The decrease is primarily due to asset impairments and disposals reducing the depreciable asset base.

## Selling, General, and Administrative expenses

<u>(In thousands, except percentages)</u>	<u>2023</u>	<u>2022</u>	<u>Percent Change</u>
Selling, general, and administrative expenses	\$ 124,130	\$ 136,612	(9.1)%
As a percent of total revenues	9.5 %	10.8 %	(1.3)%

Selling, general, and administrative costs include all corporate and administrative functions. Components of this category include marketing and advertising costs, our Restaurant Support Center, regional, and franchise support salaries and benefits; travel; professional and consulting fees; corporate information systems; legal expenses; office rent; training; and Board of Directors' expenses. Selling, general, and administrative expense decreased \$12.5 million, or 9.1% in 2023 as compared to 2022.

General and administrative expenses increased \$4.4 million or 5.2% in 2023 as compared to 2022. The increase in 2023 was primarily driven by higher incentive compensation, increased travel, and lower capitalized costs due to fewer eligible capital projects, partially offset by a decrease in wages and stock compensation due to a reduction in force in the fourth quarter of fiscal 2022 and executive transitions in fiscal years 2022 and 2023.

Selling expenses decreased \$16.9 million or 32.7% in 2023 as compared to 2022. The decrease resulted from a strategic shift as part of the North Star Plan to reallocate dollars from selling expenses to support investments in the Guest experience. The reductions in selling expenses were primarily in internet and local media.

### ***Pre-opening Costs***

<b>(In thousands, except percentages)</b>	<b>2023</b>	<b>2022</b>	<b>Percent Change</b>
Pre-opening costs	\$ 587	\$ 568	3.3 %
As a percent of total revenues	— %	— %	— %

Pre-opening costs, which are expensed as incurred, comprise the costs related to preparing restaurants to introduce Donatos<sup>®</sup> and other initiatives, as well as direct costs, including labor, occupancy, training, and marketing, incurred related to opening new restaurants and hiring the initial work force. Our pre-opening costs fluctuate from period to period, depending upon, but not limited to, the number of restaurants where Donatos<sup>®</sup> has been introduced, the number of restaurant openings, the size of the restaurants being opened, and the location of the restaurants. Pre-opening costs for any period will typically include expenses associated with restaurants opened during the period as well as expenses related to restaurants opening in subsequent periods.

Pre-opening costs increased due to one new restaurant opening in 2023 as compared to none in 2022 mostly offset by a decrease due to 26 Donatos<sup>®</sup> installations in 2023 as compared to 52 Donatos<sup>®</sup> installations in 2022.

### ***Other Charges (Gains), net***

<b>(In thousands, except percentages)</b>	<b>2023</b>	<b>2022</b>	<b>Percent Change</b>
Asset impairment	\$ 9,130	\$ 38,534	(76.3)%
Gain on sale of restaurant property, net of expenses	(29,543)	(9,204)	*
Severance and executive transition, net of \$128 and \$3,299 in stock-based compensation	3,419	2,280	50.0 %
Other financing costs	—	1,462	(100.0)%
Restaurant closure costs, net	3,062	828	*
Closed corporate office costs, net of sublease income	416	475	(12.4)%
Litigation contingencies	9,140	4,148	*
Asset disposal and other	1,713	438	*
Other charges (gains), net	<u>\$ (2,663)</u>	<u>\$ 38,961</u>	

\* Percentage increases and decreases over 100 percent were not considered meaningful.

For further information on Other charges (gains) line items, refer to Note 4. Other Charges (Gains), net, of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

### ***Interest Expense and Interest Income***

Interest expense in 2023 and 2022 was \$26.6 million and \$20.6 million, respectively. The \$5.9 million increase was due to higher weighted average interest rates. Our weighted average interest rate in 2023 and 2022 was 12.7% and 9.1%, respectively. Average outstanding debt in 2023 and 2022 was \$205.6 million and \$200.8 million, respectively.

Interest income and other increased by \$1.1 million in 2023 due to investment changes related to a deferred compensation plan for which assets are held in a rabbi trust, along with higher interest income on bank account balances in the 53-week period.

### ***Income Taxes***

Income tax provision was \$0.3 million in 2023, compared to an income tax provision of \$0.7 million in 2022. Our effective tax rate was a 1.5% provision in 2023 and a 1.0% provision in 2022, reflecting minimum state income taxes and state franchise taxes despite a pretax net loss position.

## Liquidity and Capital Resources

Cash and cash equivalents, and restricted cash decreased \$26.6 million to \$31.6 million at December 31, 2023, from \$58.2 million at the beginning of the fiscal year. Approximately \$17.2 million of the decline is due to the timing of our payroll cycle which occurred in the 53rd fiscal week and, as a result, was recorded as a cash outflow in the 2023 fiscal year.

The Company is using available cash flow from operations to maintain existing restaurants and infrastructure, and execute on its long-term strategic initiatives. As of December 31, 2023, the Company had approximately \$48.6 million in liquidity, including cash and cash equivalents and \$25.0 million available borrowing capacity under its Credit Facility.

### Cash Flows

The table below summarizes our cash flows from operating, investing, and financing activities for each fiscal year presented (in thousands):

	Year Ended	
	2023	2022
Net cash provided by (used in) operating activities	\$ (1,157)	\$ 35,532
Net cash provided by (used in) investing activities	8,226	(29,568)
Net cash provided by (used in) financing activities	(33,712)	29,533
Effect of exchange rate changes on cash	2	(41)
Net change in cash and cash equivalents, and restricted cash	<u>\$ (26,641)</u>	<u>\$ 35,456</u>

### Operating Cash Flows

Net cash flows provided by operating activities decreased \$36.7 million to \$1.2 million in 2023 as compared to 2022. The change in net cash provided by operating activities is primarily attributable to the timing of payroll as a result of the 53rd week discussed above, the receipt of an income tax refund of \$14.6 million in 2022, and severance payments and higher interest payments in 2023.

### Investing Cash Flows

Net cash flows provided by investing activities increased \$37.8 million to \$8.2 million in 2023 as compared to 2022. The increase in cash flows provided by investing activities is primarily due to proceeds from sale-leaseback transactions and a sale of real estate, partially offset by increased capital expenditures and the acquisition of five franchised restaurants.

The following table lists the components of our capital expenditures for each fiscal year presented (in thousands):

	Year Ended	
	2023	2022
Restaurant improvement capital and other	\$ 22,160	\$ 15,882
Investment in technology, infrastructure, and other	16,778	12,303
Donatos® expansion	8,620	6,054
New restaurants and restaurant refreshes	1,882	3,920
Total capital expenditures	<u>\$ 49,440</u>	<u>\$ 38,159</u>

Restaurant improvement capital and other consists of capital equipment for our restaurants. Investment in technology, infrastructure and other consists of capital costs related to restaurant technology assets, capital overhead, and other centrally developed assets. Expenditures for Donatos® expansion include expenditures for kitchen equipment, other equipment and other capital costs associated with adding Donatos® to our restaurants.

### Financing Cash Flows

Net cash flows used in financing activities increased \$63.2 million to \$33.7 million in 2023 as compared to 2022.

In 2022, financing activities were a source of cash, due to net draws made on long-term debt as a result of the Company's refinancing of debt on March 4, 2022. In 2023, the use of cash resulted primarily from the Company's repayment of outstanding debt with proceeds from the sale-leaseback transaction, \$10.0 million of share repurchases, and standard principal payments due under the terms of the Company's Credit Agreement.

## Credit Facility

On March 4, 2022, the Company replaced its prior amended and restated Credit Agreement (the "Prior Credit Agreement") with a new Credit Agreement (the "Credit Agreement"), which provides for a new Senior Secured Term Loan and Revolving Credit Facility (the "Credit Facility"). The Credit Agreement's interest rate references the Secured Overnight Financing Rate ("SOFR"), a new index calculated by short-term repurchase agreements and backed by U.S. Treasury securities, or the Alternate Base Rate ("ABR"), which represents the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 0.5% per annum, or (c) one-month term SOFR plus 1.0% per annum.

As of December 31, 2023, the Company had outstanding borrowings under the Credit Facility of \$182.6 million net of \$6.5 million of unamortized deferred financing charges and discounts, none of which was classified as current. As of December 31, 2023, the Company had \$25.0 million of available borrowing capacity under its Credit Facility, and \$7.7 million letters of credit issued against cash collateral. The Company's cash collateral is recorded in Restricted cash on our Consolidated Balance Sheets.

For additional information regarding our Credit Facility, see Note 8. Borrowings included within the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

## Covenants

We are subject to a number of customary covenants under our Credit Facility, including limitations on additional borrowings, acquisitions, stock repurchases, sales of assets, and dividend payments, as well as a Total Net Leverage ratio covenant. As of December 31, 2023, we were in compliance with all debt covenants.

## Debt Outstanding

Total debt outstanding decreased \$25.7 million to \$189.1 million at December 31, 2023, from \$214.9 million at December 25, 2022, primarily driven by payments of long-term debt using proceeds from the sale-leaseback transactions during the fifty-three weeks ended December 31, 2023.

## Share Repurchase

On August 9, 2018, the Company's Board of Directors authorized the Company's current share repurchase program of up to a total of \$75 million of the Company's common stock. The share repurchase authorization will terminate upon completing repurchases of \$75 million of common stock unless otherwise terminated by the board. Pursuant to the repurchase program, purchases may be made from time to time at the Company's discretion and the Company is not obligated to acquire any particular amount of common stock. From the date of the current program approval through December 31, 2023, we have repurchased a total of 1,088,588 shares at an average price of \$15.18 per share for an aggregate amount of \$16.5 million. The Company completed \$10.0 million of share repurchases in 2023 and no share repurchases during 2022. Accordingly, as of December 31, 2023, we had \$58.4 million of availability under the current share repurchase program. Our Credit Agreement limits our ability to repurchase shares to certain conditions set forth by the lenders in the Credit Facility.

## Contractual Obligations

The following table summarizes the amounts of payments due under specified contractual obligations as of December 31, 2023 (in thousands):

	Payments Due by Period				
	Total	2024	2025 - 2026	2027 - 2028	Thereafter
Long-term debt obligations <sup>(1)</sup>	\$ 278,312	\$ 22,292	\$ 44,585	\$ 211,435	\$ —
Finance lease obligations <sup>(2)</sup>	10,784	1,386	2,815	2,451	4,132
Operating lease obligations <sup>(3)</sup>	619,896	82,310	153,136	126,940	257,510
Purchase obligations <sup>(4)</sup>	230,683	61,464	95,328	49,813	24,078
Other non-current liabilities <sup>(5)</sup>	1,903	360	142	74	1,327
Total contractual obligations	<u>\$ 1,141,578</u>	<u>\$ 167,812</u>	<u>\$ 296,006</u>	<u>\$ 390,713</u>	<u>\$ 287,047</u>

(1) Long-term debt obligations primarily represent minimum required principal payments under our existing Credit Agreement as of December 31, 2023, including estimated interest of \$89.2 million based on a 11.62% average borrowing interest rate.

(2) Finance lease obligations include interest of \$2.1 million.

(3) Operating lease obligations exclude variable lease costs, such as sales based contingent rent, and include interest of \$192.6 million.

(4) Purchase obligations primarily include the Company's share of expected system-wide fixed price commitments for food, beverage, and restaurant supply items. The timing of amounts presented is estimated based on anticipated inventory needed for the Company's restaurants and could vary due to changes in anticipated traffic counts, consumer preferences, or other factors.



(5) Other non-current liabilities primarily represent the employee deferred compensation plan liability.

### ***Financial Condition and Future Liquidity***

We require capital principally to maintain, improve, and refurbish existing restaurants; build new restaurants; support infrastructure needs; fund operational changes; and for general operating purposes. We are required to make interest and principal payments under the terms of our Credit Agreement, and may use capital to pay additional principal on our borrowings or repurchase our common stock as allowed by our Credit Agreement. Our primary short-term and long-term sources of liquidity are expected to be cash flows from operations and our Credit Facility. We expect cash flows from operations and available borrowing capacity under the Credit Facility will be sufficient to meet debt service, capital expenditures, and working capital requirements for at least the next twelve months. The Company is working to complete a third sale-leaseback transaction related to its owned properties and if completed, anticipates proceeds will be used to repay debt. We and the restaurant industry in general maintain relatively low levels of accounts receivable and inventories, and vendors generally grant short-term trade credit for purchases, such as food and supplies. The addition of new restaurants and refurbishment of existing restaurants are reflected as long-term assets and not as part of working capital.

### ***Working Capital***

We typically maintain current liabilities in excess of our current assets which results in a working capital deficit. We are able to operate with a working capital deficit because restaurant sales are primarily conducted on a cash or credit card basis. Rapid turnover of inventory results in limited investment in inventories, and cash from sales is usually received before related payables for food, supplies, and payroll become due. In addition, receipts from the sale of gift cards are received well in advance of related redemptions. Rather than maintain higher cash balances that would result from this pattern of operating cash flows, we typically utilize operating cash flows in excess of those required for currently maturing liabilities to pay for capital expenditures, debt repayment, or to repurchase stock. When necessary, we utilize our Credit Facility to satisfy short-term liquidity requirements. We believe our future cash flows generated from restaurant operations combined with our remaining borrowing capacity under the Credit Facility and sale-leaseback transactions will be sufficient to satisfy any working capital deficits and our planned capital expenditures.

### ***Critical Accounting Estimates***

Critical accounting estimates are those we believe are both significant and that require us to make difficult, subjective, or complex judgments, often because we need to estimate the effect of inherently uncertain matters. We base our estimates and judgments on historical experiences and various other factors we believe to be appropriate under the circumstances. Actual results may differ from these estimates, including our estimates of future restaurant-level cash flows, which are subject to the current economic environment, and we might obtain different results if we use different assumptions or conditions. We have identified the following as the Company's most critical accounting estimates, which are most important to the portrayal of the Company's financial condition and results and require management's most subjective and complex judgment. Information regarding the Company's other significant accounting policies is disclosed in Note 1, *Description of Business and Summary of Significant Accounting Policies*, of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

*Impairment of Long-Lived Assets* - Long-lived assets, including restaurant sites, leasehold improvements, other fixed assets, right of use assets, and amortizable intangible assets are reviewed when indicators of impairment are present. Expected cash flows associated with an asset are the key factor in determining the recoverability of the asset. Identifiable cash flows are measured at the restaurant-level. The estimate of cash flows is based upon, among other things, certain assumptions about expected future operating performance, including assumptions on future revenue trends. Management's estimates of undiscounted cash flows may differ from actual cash flows due to, among other things, changes in economic conditions, changes to our business model, or changes in operating performance. If the sum of the undiscounted cash flows is less than the carrying value of the asset, we recognize an impairment loss. The amount of the impairment loss is measured as the amount by which the carrying value exceeds the fair value of the asset, which is determined using discounted cash flows.

Judgments made by management related to our ability to realize undiscounted cash flows in excess of the carrying amounts of such assets are affected by factors such as changes in economic conditions, changes in operating performance, and the ongoing maintenance and improvements of the assets. As the ongoing expected cash flows and carrying amounts of long-lived assets are assessed, these factors could cause us to realize a material impairment charge. Each restaurant's past and present operating performance were reviewed in combination with projected future results, primarily through projected undiscounted cash flows, which indicated possible impairment. For those restaurants for which undiscounted cash flows did not exceed their carrying value, we compared the carrying amount of each restaurant to its fair value as estimated by management. Determining the fair value of the long-lived assets requires the use of estimates and assumptions and is typically determined using a discounted cash flow projection model. The weighted average cost of capital discount factor is determined using external information such as the risk-free rate of return, industry beta factors, and premium adjustments. Management uses other market information such as market rent and discount rates, which are subject to judgment, to estimate the fair value of restaurant right of use lease assets. During 2023, the Company recognized non-cash impairment charges of \$9.1 million, primarily related to the impairment of the long-lived assets at 19 underperforming locations and quota state liquor licenses at three locations. During 2022, the Company recognized non-cash impairment charges of \$38.5 million, primarily related to impairments of long-lived assets at 46 underperforming locations and quota state liquor licenses at six locations.

Information technology systems, such as internal-use computer software, are reviewed and tested for recoverability if the internal-use computer software is not expected to provide substantive service potential, a significant change occurs to the extent or manner in which the software is used or is expected to be used, a significant change is made or will be made to the software program, or costs of developing or modifying internal-use software significantly exceed the amount originally expected to develop or modify the software.

Liquor licenses with indefinite lives are reviewed for impairment annually or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value. We determine fair value based on quoted prices in the active market for the license in the same or similar jurisdictions, representing a level 1 fair value measurement.

#### **Recently Issued Accounting Standards**

See Note 2. Recent Accounting Pronouncements, of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K for our discussion of recently issued accounting standards.

## **ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk**

### **Interest Rate Risk**

Under our Credit Facility, we are exposed to market risk from changes in interest rates on borrowings. Borrowings under the Credit Facility are subject to rates based on SOFR plus a spread based on leverage or a base rate plus a spread based on leverage. The base rate is the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 0.5% per annum, or (c) one-month term SOFR plus 1.0% per annum. As of December 31, 2023, we had \$189.1 million of borrowings subject to variable interest rates. A 1.0% change in the effective interest rate applied to these loans would have resulted in pre-tax interest expense fluctuation of \$1.9 million on an annualized basis.

We continue to monitor our interest rate risk on an ongoing basis and may use interest rate swaps or similar instruments in the future to manage our exposure to interest rate changes related to our borrowings as the Company deems appropriate.

### **Commodity Price Risks**

We purchase food, supplies and other commodities for use in our operations based on prices established with our suppliers. Many of the commodities purchased by us are subject to volatility due to market supply and demand factors outside of our control, including the price of other commodities, weather, seasonality, production, trade policy, and other factors. To manage this risk in part, we enter into fixed-price purchase commitments for certain commodities. As of December 31, 2023, approximately 50% of our estimated annual food and beverage purchases were covered by fixed price contracts, most of which are scheduled to expire at various times through the end of 2027. We believe that substantially all of our food and supplies meeting our specifications are available from alternate sources, which we have identified to diversify our supply chain to mitigate our overall commodity risk. We may or may not have the ability to increase menu prices, or vary menu items, in response to commodity price increases. A 1.0% increase in food and beverage costs would negatively impact cost of sales by approximately \$3.1 million on an annualized basis.

**ITEM 8. Financial Statements and Supplementary Data**

**RED ROBIN GOURMET BURGERS, INC.**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Red Robin Gourmet Burgers, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Red Robin Gourmet Burgers, Inc. and subsidiaries (the "Company") as of December 31, 2023 and December 25, 2022, the related consolidated statements of operations and comprehensive loss, stockholders' (deficit) equity, and cash flows, for the periods ended December 31, 2023, December 25, 2022, and December 26, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and December 25, 2022, and the results of its operations and its cash flows for the periods ended December 31, 2023, December 25, 2022, and December 26, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2024, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### ***Impairment of Long-Lived Assets – Refer to Notes 1, 4, and 9 in the Financial Statements***

##### *Critical Audit Matter Description*

The Company assesses long-lived assets for impairment at the individual restaurant-level whenever events and circumstances indicate the carrying amount of an asset group may not be recoverable. Expected cash flows associated with an asset are the key factor in determining the recoverability of the asset. Identifiable cash flows are measured at the restaurant-level. The estimate of cash flows is based upon, among other things, certain assumptions about expected future operating performance, including assumptions of future revenue trends. If the sum of the undiscounted cash flows is less than the carrying value of the asset, an impairment loss is recognized and measured as the amount by which the carrying value exceeds the fair value of the asset.

We identified the evaluation of long-lived asset impairment as a critical audit matter because of the significant judgments made by management to estimate the undiscounted cash flows, including assumptions about expected future operating performance, and the fair value of the lease assets. This required a high degree of auditor judgment and an increased extent of effort, when performing audit procedures to evaluate whether management appropriately identified and evaluated potential impairment indicators, and when evaluating the reasonableness of management's estimates and assumptions, particularly related to undiscounted cash flows and market rent.

##### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the impairment of long-lived assets included the following, among others:

- We tested the operating effectiveness of internal controls over the Company’s assessment and evaluation of potential impairment indicators for long-lived assets and over forecasted undiscounted cash flows and market rent used in their recoverability and impairment analyses.
- We evaluated the reasonableness of the Company’s evaluation of impairment indicators by:
  - Evaluating the Company’s process for identifying qualitative and quantitative impairment indicators by location and whether the Company appropriately considered such indicators
  - Conducting a completeness assessment to determine whether additional impairment indicators were present during the period that were not identified by the Company.
- We tested the mathematical accuracy of management’s calculations and the underlying source of information for a selection of restaurant sites.
- We evaluated the reasonableness of the information in the Company’s forecasted undiscounted cash flows used in their recoverability and impairment analyses, by comparing the forecasts to
  - Historical actual information
  - Internal communications between management and the Board of Directors
  - Forecasted information included in analyst and industry reports for the Company.
- We evaluated the Company’s forecasted undiscounted and discounted cash flows for consistency with evidence obtained in other areas of the audit.
- With the assistance of our fair value specialists, we evaluated the market rent by developing a range of independent estimates and comparing those to the market rent used by management.

/s/ Deloitte & Touche LLP

Denver, Colorado

February 28, 2024

We have served as the Company's auditor since 2021.

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

	<u>December 31, 2023</u>	<u>December 25, 2022</u>
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 23,634	\$ 48,826
Accounts receivable, net	21,592	21,989
Inventories	26,839	26,447
Prepaid expenses and other current assets	11,785	12,938
Restricted cash	7,931	9,380
Total current assets	<u>91,781</u>	<u>119,580</u>
Property and equipment, net	261,258	318,517
Operating lease assets, net	361,609	361,432
Intangible assets, net	15,491	17,727
Other assets, net	11,795	14,889
Total assets	<u>\$ 741,934</u>	<u>\$ 832,145</u>
<b>Liabilities and stockholders' equity:</b>		
Current liabilities:		
Accounts payable	\$ 27,726	\$ 39,336
Accrued payroll and payroll-related liabilities	32,524	33,666
Unearned revenue	36,067	46,944
Current portion of operating lease liabilities	43,819	47,394
Current portion of long-term debt	—	3,375
Accrued liabilities and other current liabilities	46,201	49,498
Total current liabilities	<u>186,337</u>	<u>220,213</u>
Long-term debt	182,594	203,155
Long-term portion of operating lease liabilities	383,439	393,157
Other non-current liabilities	10,006	13,831
Total liabilities	<u>762,376</u>	<u>830,356</u>
Stockholders' (deficit) equity:		
Common stock; \$0.001 par value: 45,000 shares authorized; 20,449 shares issued; 15,528 and 15,934 shares outstanding as of December 31, 2023 and December 25, 2022	20	20
Preferred stock, \$0.001 par value: 3,000 shares authorized; no shares issued and outstanding as of December 31, 2023 and December 25, 2022	—	—
Treasury stock 4,921 and 4,515 shares, at cost as of December 31, 2023 and December 25, 2022	(174,702)	(182,810)
Paid-in capital	229,680	238,803
Accumulated other comprehensive loss, net of tax	(22)	(34)
Accumulated deficit	(75,418)	(54,190)
Total stockholders' (deficit) equity	<u>(20,442)</u>	<u>1,789</u>
Total liabilities and stockholders' (deficit) equity	<u>\$ 741,934</u>	<u>\$ 832,145</u>

See Notes to Consolidated Financial Statements.

**RED ROBIN GOURMET BURGERS, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

**(In thousands, except per share amounts)**

	Year Ended		
	December 31, 2023	December 25, 2022	December 26, 2021
<b>Revenues:</b>			
Restaurant revenue	\$ 1,274,294	\$ 1,230,189	\$ 1,137,643
Franchise revenue	15,867	19,306	17,236
Other revenue	12,885	16,039	6,758
Total revenues	<u>1,303,046</u>	<u>1,265,534</u>	<u>1,161,637</u>
<b>Costs and expenses:</b>			
Restaurant operating costs (excluding depreciation and amortization shown separately below):			
Cost of sales	308,962	306,509	260,896
Labor (includes \$475, \$958, and \$894 of stock-based compensation)	473,538	440,564	409,901
Other operating	224,999	224,704	207,829
Occupancy	102,761	98,868	96,484
Depreciation and amortization	66,190	76,245	83,438
Selling, general, and administrative expenses (includes \$6,329, \$8,635, and \$5,728 of stock-based compensation)	124,130	136,612	122,743
Pre-opening costs	587	568	1,410
Other charges (gains), net (includes \$128, \$(3,299), and \$0 of stock-based compensation)	(2,663)	38,961	16,074
Total costs and expenses	<u>1,298,504</u>	<u>1,323,031</u>	<u>1,198,775</u>
Income (loss) from operations	4,542	(57,497)	(37,138)
<b>Other expense (income):</b>			
Interest expense	26,560	20,643	14,176
Interest (income) and other, net	(1,100)	(4)	(719)
Total other expenses, net	<u>25,460</u>	<u>20,639</u>	<u>13,457</u>
Loss before income taxes	(20,918)	(78,136)	(50,595)
Income tax expense (benefit)	310	747	(152)
Net loss	<u>\$ (21,228)</u>	<u>\$ (78,883)</u>	<u>\$ (50,443)</u>
<b>Loss per share:</b>			
Basic	<u>\$ (1.34)</u>	<u>\$ (4.98)</u>	<u>\$ (3.22)</u>
Diluted	<u>\$ (1.34)</u>	<u>\$ (4.98)</u>	<u>\$ (3.22)</u>
<b>Weighted average shares outstanding:</b>			
Basic	<u>15,835</u>	<u>15,840</u>	<u>15,660</u>
Diluted	<u>15,835</u>	<u>15,840</u>	<u>15,660</u>
<b>Other comprehensive (loss) income:</b>			
Foreign currency translation adjustment	\$ 12	\$ (35)	\$ 5
Other comprehensive (loss) income, net of tax	12	(35)	5
Total comprehensive loss	<u>\$ (21,216)</u>	<u>\$ (78,918)</u>	<u>\$ (50,438)</u>

See Notes to Consolidated Financial Statements.



RED ROBIN GOURMET BURGERS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY

(In thousands)

	Common Stock		Treasury Stock		Paid-in Capital	Accumulated Other Comprehensive (Loss) Income, net of tax	Retained Earnings (Deficit)	Total
	Shares	Amount	Shares	Amount				
<b>Balance, December 27, 2020</b>	20,449	\$ 20	4,901	\$ (199,908)	\$ 243,407	\$ (4)	\$ 75,136	\$ 118,651
Exercise of options, issuance of restricted stock, shares exchanged for exercise and tax, and stock issued through employee stock purchase plan	—	—	(174)	7,105	(7,484)	—	—	(379)
Non-cash stock compensation	—	—	—	—	6,637	—	—	6,637
Net loss	—	—	—	—	—	—	(50,443)	(50,443)
Other comprehensive loss	—	—	—	—	—	5	—	5
<b>Balance, December 26, 2021</b>	<u>20,449</u>	<u>20</u>	<u>4,727</u>	<u>(192,803)</u>	<u>242,560</u>	<u>1</u>	<u>24,693</u>	<u>74,471</u>
Exercise of options, issuance of restricted stock, shares exchanged for exercise and tax, and stock issued through employee stock purchase plan	—	—	(212)	9,993	(10,080)	—	—	(87)
Non-cash stock compensation	—	—	—	—	6,323	—	—	6,323
Net loss	—	—	—	—	—	—	(78,883)	(78,883)
Other comprehensive income	—	—	—	—	—	(35)	—	(35)
<b>Balance, December 25, 2022</b>	<u>20,449</u>	<u>20</u>	<u>4,515</u>	<u>(182,810)</u>	<u>238,803</u>	<u>(34)</u>	<u>(54,190)</u>	<u>1,789</u>
Exercise of options, issuance of restricted stock, shares exchanged for exercise and tax, and stock issued through employee stock purchase plan	—	—	(456)	18,068	(16,063)	—	—	2,005
Acquisition of treasury stock	—	—	862	(9,960)	—	—	—	(9,960)
Non-cash stock compensation	—	—	—	—	6,940	—	—	6,940
Net loss	—	—	—	—	—	—	(21,228)	(21,228)
Other comprehensive loss	—	—	—	—	—	12	—	12
<b>Balance, December 31, 2023</b>	<u>20,449</u>	<u>\$ 20</u>	<u>4,921</u>	<u>\$ (174,702)</u>	<u>\$ 229,680</u>	<u>\$ (22)</u>	<u>\$ (75,418)</u>	<u>\$ (20,442)</u>

See Notes to Consolidated Financial Statements.

**RED ROBIN GOURMET BURGERS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	Year Ended		
	December 31, 2023	December 25, 2022	December 26, 2021
<b>Cash Flows From Operating Activities:</b>			
Net loss	\$ (21,228)	\$ (78,883)	\$ (50,443)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	66,190	76,245	83,438
Gift card breakage	(9,874)	(13,807)	(5,022)
Asset impairment	9,130	38,534	7,052
Non-cash other charges (gains)	(1,404)	(3,440)	346
Stock-based compensation expense	6,933	6,294	6,622
Gain on sale of property	(30,137)	(9,204)	—
Amortization of debt issuance costs	2,032	3,530	3,032
Other, net	(794)	287	71
Changes in operating assets and liabilities:			
Accounts receivable	364	(26)	(4,919)
Inventories	(280)	(1,813)	(1,925)
Income tax receivable	33	15,263	759
Prepaid expenses and other current assets	1,558	2,289	(3,066)
Operating lease assets, net of liabilities	(11,841)	(7,036)	(9,293)
Trade accounts payable and accrued liabilities	(9,843)	11,724	19,449
Unearned revenue	(1,097)	4,035	9,539
Other operating assets and liabilities, net	(899)	(8,460)	(8,348)
Net cash provided by (used in) operating activities	<u>(1,157)</u>	<u>35,532</u>	<u>47,292</u>
<b>Cash Flows From Investing Activities:</b>			
Purchases of property, equipment and intangible assets	(49,440)	(38,159)	(42,261)
Proceeds from sale-leaseback	58,801	—	—
Proceeds from sales of property and equipment, and other	2,394	8,591	20
Acquisition of franchised restaurants	(3,529)	—	—
Net cash provided by (used in) investing activities	<u>8,226</u>	<u>(29,568)</u>	<u>(42,241)</u>
<b>Cash Flows From Financing Activities:</b>			
Borrowings of long-term debt	—	297,151	192,500
Payments of long-term debt and capital leases	(25,755)	(266,519)	(188,845)
Purchase of treasury stock	(9,960)	—	—
Debt issuance costs	—	(4,869)	(1,714)
Proceeds related to real estate sale	—	3,856	—
(Uses) proceeds from other financing activities, net	2,003	(86)	(378)
Net cash provided by (used in) financing activities	<u>(33,712)</u>	<u>29,533</u>	<u>1,563</u>
Effect of exchange rate changes on cash	2	(41)	20
Net change in cash and cash equivalents, and restricted cash	(26,641)	35,456	6,634
Cash and cash equivalents, and restricted cash, beginning of period	58,206	22,750	16,116
Cash and cash equivalents, and restricted cash, end of period	<u>\$ 31,565</u>	<u>\$ 58,206</u>	<u>\$ 22,750</u>
<b>Supplemental disclosure of cash flow information</b>			
Income taxes paid (refunds received), net	\$ 454	\$ (14,642)	\$ (962)
Interest paid, net of amounts capitalized	24,084	16,054	10,455
Accrued purchases of property, equipment and intangible assets	\$ 1,836	\$ 9,688	\$ 4,655

See Notes to Consolidated Financial Statements.

**RED ROBIN GOURMET BURGERS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Description of Business and Summary of Significant Accounting Policies**

**(a) Description of Business**

Red Robin Gourmet Burgers, Inc., a Delaware corporation, together with its subsidiaries ("Red Robin," "we," "us," "our", or the "Company"), primarily operates, franchises, and develops casual dining restaurants in North America. As of December 31, 2023, the Company owned and operated 415 restaurants located in 39 states. The Company also had 91 casual dining restaurants operated by franchisees in 14 states and one Canadian province. The Company operates its business as one operating and one reportable segment.

**(b) Basis of Presentation and Principles of Consolidation**

The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States and include the accounts of Red Robin and its wholly owned subsidiaries after elimination of all intercompany accounts and transactions. The Company's fiscal year is 52 or 53 weeks ending the last Sunday of the calendar year. Year-end dates and the number of weeks in each fiscal year are shown in the table below for periods presented in the consolidated financial statements and for the upcoming fiscal year.

Fiscal Year	Year End Date	Number of Weeks in Fiscal Year
<i>Current and Prior Fiscal Years:</i>		
2023	December 31, 2023	53
2022	December 25, 2022	52
2021	December 26, 2021	52
<i>Upcoming Fiscal Years:</i>		
2024	December 29, 2024	52
2025	December 28, 2025	52

**(c) Immaterial Restatement of Prior Period Financial Statements**

Subsequent to the issuance of the Company's financial statements as of and for the year ended December 25, 2022, and as previously disclosed in our Form 10-Q, the Company discovered a multi-year error in its calculation and recognition of revenue related to gift cards, primarily related to breakage revenue that had been recognized for bonus and discounted gift cards for which no or discounted monetary consideration was received, which resulted in the Company overstating total revenues by \$1.1 million for the year ended December 25, 2022 and \$0.4 million for the year ended December 26, 2021. The period (rollover) impact of the error correction on net income (loss) for the year ended December 25, 2022 and December 26, 2021 increased net loss by \$1.1 million and \$0.4 million, respectively, and the cumulative impact of the error correction on unearned revenue was an increase of \$3.6 million. Management has evaluated this misstatement and concluded it was not material to prior periods, individually or in the aggregate. However, correcting the cumulative effect of the error in the fifty-three weeks ended December 31, 2023 would have had a significant effect on the results of operations for such periods. Therefore, the Company has corrected the Consolidated Financial Statements for the prior periods presented in the Form 10-K filing for the year ended December 31, 2023. Additionally, comparative prior period amounts in the applicable Notes to the Consolidated Financial Statements have been restated.

The following tables reflect the effects of the correction on all affected line items of the Company's previously reported Consolidated Financial Statements presented in this Form 10-K:

**CORRECTED CONSOLIDATED BALANCE SHEETS**

(in thousands)	December 25, 2022		
	As Previously Reported	Adjustment	As Corrected
Unearned revenue	\$ 43,358	\$ 3,586	\$ 46,944
Total current liabilities	216,627	3,586	220,213
Total liabilities	826,770	3,586	830,356
Accumulated deficit	(50,604)	(3,586)	(54,190)
Total stockholders' equity (deficit)	5,375	(3,586)	1,789

## CORRECTED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(in thousands)	Fifty-Two Weeks Ended December 25, 2022		
	As Previously Reported	Adjustment	As Corrected
Restaurant revenue	\$ 1,230,318	\$ (129)	\$ 1,230,189
Franchise and other revenues	16,993	(954)	16,039
Total revenues	1,266,617	(1,083)	1,265,534
Loss before income taxes	(77,053)	(1,083)	(78,136)
Net loss	(77,800)	(1,083)	(78,883)
Net loss per share	(4.91)	(0.07)	(4.98)
Total comprehensive loss	(77,835)	(1,083)	(78,918)

### OTHER NON-GAAP INFORMATION:

Adjusted EBITDA	52,789	(679)	52,110
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## CORRECTED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)	Fifty-Two Weeks Ended December 25, 2022	
	Retained Earnings/ (Accumulated Deficit)	Total Shareholders' Equity
<b>As Previously Reported</b>		
Balance, December 26, 2021	\$ 27,196	\$ 76,974
Net loss	(77,800)	(77,800)
Balance, December 25, 2022	(50,604)	5,375
<b>Adjustments</b>		
Balance, December 26, 2021	(2,503)	(2,503)
Net loss	(1,083)	(1,083)
Balance, December 25, 2022	(3,586)	(3,586)
<b>As Corrected</b>		
Balance, December 26, 2021	24,693	74,471
Net loss	(78,883)	(78,883)
Balance, December 25, 2022	\$ (54,190)	\$ 1,789

## CORRECTED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Fifty-Two Weeks Ended December 25, 2022		
	As Previously Reported	Adjustment	As Corrected
Net loss	\$ (77,800)	\$ (1,083)	\$ (78,883)
Gift card breakage	(14,761)	954	(13,807)
Unearned revenue	3,906	129	4,035

## CORRECTED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(in thousands)	Fifty-Two Weeks Ended December 26, 2021		
	As Previously Reported	Adjustment	As Corrected
Restaurant revenue	\$ 1,137,733	\$ (90)	\$ 1,137,643
Franchise and other revenues	7,109	(351)	6,758
Total revenues	1,162,078	(441)	1,161,637
Loss before income taxes	(50,154)	(441)	(50,595)
Net loss	(50,002)	(441)	(50,443)
Net loss per share	(3.19)	(0.03)	(3.22)
Total comprehensive loss	(49,997)	(441)	(50,438)
<b>OTHER NON-GAAP INFORMATION:</b>			
Adjusted EBITDA	63,526	(441)	63,085

## CORRECTED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)	Fifty-Two Weeks Ended December 26, 2021	
	Retained Earnings	Total Shareholders' Equity
<b>As Previously Reported</b>		
Balance, December 27, 2020	\$ 77,198	\$ 120,713
Net loss	(50,002)	(50,002)
Balance, December 26, 2021	27,196	76,974
<b>Adjustments</b>		
Balance, December 27, 2020	(2,063)	(2,063)
Net loss	(441)	(441)
Balance, December 26, 2021	(2,503)	(2,503)
<b>As Corrected</b>		
Balance, December 27, 2020	75,135	118,650
Net loss	(50,443)	(50,443)
Balance, December 26, 2021	\$ 24,693	\$ 74,471

## CORRECTED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Fifty-Two Weeks Ended December 26, 2021		
	As Previously Reported	Adjustment	As Corrected
Net loss	\$ (50,002)	\$ (441)	\$ (50,443)
Gift card breakage	(5,373)	351	(5,022)
Unearned revenue	9,449	90	9,539

### (d) Reclassifications

Certain amounts presented have been reclassified within the December 25, 2022 Consolidated Balance Sheet, Note 7. Accrued Payroll and Payroll-Related Liabilities, and Accrued Liabilities and Other Current Liabilities, and Note 11. Income Taxes to conform with the current period presentation. The reclassifications had no effect on the Company's total balances. Additionally, certain amounts have been reclassified in Note 4. Other Charges (Gains), net for December 25, 2022 and December 26, 2021 to conform with the current period presentation, with no aggregate effect.

### (e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

### (f) Summary of Significant Accounting Policies

**Revenue Recognition** - Revenues consist of sales from restaurant operations (including third party delivery), franchise revenue, and other revenue including gift card breakage and miscellaneous revenue. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a restaurant Guest, franchisee, or other customer.

The Company recognizes revenues from restaurant operations when payment is tendered at the point of sale, as the Company's performance obligation to provide food and beverage to the customer has been satisfied.

The Company sells gift cards which do not have an expiration date, and it does not deduct dormancy fees from outstanding gift card balances. We recognize revenue from gift cards as either: (i) Restaurant revenue, when the Company's performance obligation to provide food and beverage to the customer is satisfied upon redemption of the gift card, or (ii) gift card breakage, as discussed below.

Gift card breakage is recognized when the likelihood of a gift card being redeemed by the customer is remote and the Company determines there is not a legal obligation to remit the unredeemed gift card balance to the relevant jurisdiction. The determination of the gift card breakage rate is based upon the Company's specific historical redemption patterns. The Company recognizes gift card breakage by applying its estimate of the rate of gift card breakage on a pro rata basis over the period of estimated redemption.

Red Robin Royalty™ deferred revenue primarily relates to a program in which registered members earn an award for a free entrée for every nine entrées purchased. Registered members can also earn an award if they visit a Red Robin restaurant 5 separate times within 5 weeks of joining our Royalty™ program. We recognize the current sale of an entrée and defer a portion of the revenue to reflect partial prepayment for the future entrée the member is entitled to receive. We estimate the future value of the award based on the historical average value of redemptions. We also estimate what portion of registered members are not likely to reach the ninth purchase or fifth visit based on historical activity and recognize the revenue related to those purchases from deferred revenue. We recognize the deferred revenue in restaurant revenue on earned rewards when the Company satisfies its performance obligation at redemption, or upon expiration. We compare the estimate of the value of future awards to historical redemptions to evaluate the reasonableness of the deferred amount.

Revenues we receive from our franchise arrangements include sales-based royalties, advertising fund contributions, area development fees, and franchise fees. Red Robin franchisees are required to remit 4.0% to 5.0% of their revenues as royalties to the Company and contribute up to 3% of revenues to two national advertising funds. The Company recognizes these sales-based royalties and advertising fund contributions as the underlying franchisee sales occur. Contributions to these Advertising Funds from franchisees are recorded as revenue under Franchise revenue in the Consolidated Statements of Operations and Comprehensive Loss in accordance with ASC Topic 606, *Revenue from Contracts with Customers*.

The Company also provides its franchisees with management expertise, training, pre-opening assistance, and restaurant operating assistance in exchange for area development fees and franchise fees. The Company capitalizes these fees upon collection from the franchisee, which then amortize over the contracted franchise term as the services comprising the performance obligation are satisfied. The Company typically grants franchise rights to franchisees for a term of 20 years, with the right to extend the term for an additional 10 years if various conditions are satisfied by the franchisee.

Other revenue consists of gift card breakage, licensing income, and recycling income.

**Cash and Cash Equivalents, and Restricted Cash** - The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Amounts receivable from credit card issuers are typically converted to cash within two to four days of the original sales transaction and are considered to be cash equivalents.

Cash and cash equivalents are maintained with multiple financial institutions. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. The Company holds cash and cash equivalents at financial institutions in excess of amounts covered by the Federal Depository Insurance Corporation (the "FDIC") and sometimes invests excess cash in money market funds not insured by the FDIC. The Company periodically assesses the credit risk associated with these financial institutions and believes that the risk of loss is minimal.

The Company is required to carry restricted cash balances that are reserved as collateral for existing letters of credit. The amounts issued under letters of credit, which are undrawn totaled \$7.7 million.

**Accounts Receivable, Net** - Accounts receivable, net consists primarily of third party gift card receivables, third party delivery partner receivables, trade receivables due from franchisees for royalties and advertising fund contributions, and tenant improvement allowances. At the end of 2023, there was approximately \$9.7 million of gift card receivables in accounts receivable related to gift cards that were sold by third party retailers compared to \$11.6 million at the end of 2022. At the end of 2023, there was also approximately \$2.6 million related to third party delivery partners in accounts receivable compared to approximately \$2.3 million at the end of 2022.

**Inventories** - Inventories consist of food, beverages, and supplies valued at the lower of cost (first-in, first-out method) or net realizable value. At the end of 2023 and 2022, food and beverage inventories were \$9.4 million and \$10.1 million, respectively, and supplies inventories were \$17.4 million and \$16.3 million, respectively.

**Property and Equipment, Net** - Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are expensed as incurred. Depreciation is computed on the straight-line method based on the shorter of the estimated useful lives or the terms of the underlying leases of the related assets. Interest incurred on funds used to construct Company-owned restaurants is capitalized and amortized over the estimated useful life of the related assets.

The estimated useful lives for property and equipment are:

Buildings	5 years to 20 years
Leasehold improvements	Shorter of lease term or estimated useful life, not to exceed 20 years
Furniture, fixtures, and equipment	5 years to 20 years
Computer equipment	2 years to 5 years

The Company capitalizes certain overhead related to the development and construction of its new restaurants as well as certain information technology infrastructure upgrades. Costs incurred for the potential development of restaurants that are subsequently terminated are expensed.

**Leases** - The Company leases land, buildings, and equipment used in its operations under operating and finance leases. Our leases generally have remaining terms of 1-15 years, most of which include options to extend the leases for additional 5-year periods. Generally, the lease term is the minimum of the non-cancelable period of the lease or the lease term inclusive of reasonably certain renewal periods up to a term of 20 years.

We determine if a contract contains a lease at inception. Operating lease assets and liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets. To determine the present value of lease payments not yet paid, we estimate incremental secured borrowing rates corresponding to the maturities of the leases. We estimate this rate based on prevailing financial market conditions, comparable company and credit analysis, and management judgment.

Our leases typically contain rent escalations over the lease term. We recognize expense for these leases on a straight-line basis over the lease term. Additionally, tenant incentives used to fund leasehold improvements are recognized when earned and reduce our right-of-use asset related to the lease. These are amortized through the right-of-use asset as reductions of expense over the lease term.

Some of our leases include rent escalations based on inflation indexes and fair market value adjustments. Certain leases contain contingent rental provisions that include a fixed base rent plus an additional percentage of the restaurant's sales in excess of stipulated amounts. Operating lease liabilities are calculated using the prevailing index or rate at lease commencement. Subsequent escalations in the index or rate and contingent rental payments are recognized as variable lease expenses. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

We have elected the short-term lease recognition exemption for all applicable classes of underlying assets. Short-term disclosures include only those leases with a term of 12 months or less, and expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that we are reasonably certain to exercise, are not recorded on the balance sheet.

We elected the practical expedient that does not require us to separate lease and non-lease components for our population of real estate assets.

**Intangible Assets, net** - Intangible assets comprise primarily leasehold interests, acquired franchise rights, and the costs of purchased liquor licenses. Leasehold interests primarily represent the fair values of acquired lease contracts having contractual rents lower than fair market rents and are amortized on a straight-line basis over the remaining initial lease term. Acquired franchise rights, which represent the acquired value of franchise contracts, are amortized over the term of the franchise agreements. The costs of obtaining non-transferable liquor licenses from local government agencies are capitalized and generally amortized over a period of up to 20 years. The costs of purchasing transferable liquor licenses through open markets in jurisdictions with a limited number of authorized liquor licenses are capitalized as indefinite-lived intangible assets.

**Impairment of Long-Lived Assets** - The Company reviews its long-lived assets, including restaurant sites, leasehold improvements, other fixed assets, information technology systems, right of use assets, and amortizable intangible assets for

impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the assets. Identifiable cash flows are measured at the lowest level for which they are largely independent of the cash flows of other groups of assets and liabilities, generally at the restaurant-level. If the assets are determined to be impaired, the amount of impairment recognized is the amount by which the carrying amount of the assets exceeds their fair value. Fair value is generally determined using projected cash flows discounted using an estimated weighted average cost of capital. Management may also utilize other market information to determine fair value such as market rent and discount rates, to estimate the fair value of restaurant right of use lease assets. Restaurant sites and other assets to be disposed of are reported at the lower of their carrying amount or fair value, less estimated costs to sell. Information technology systems, such as internal-use computer software, are reviewed and tested for recoverability if the internal-use computer software is not expected to provide substantive service potential, a significant change occurs in the extent or manner in which the software is used or is expected to be used, a significant change is made or will be made to the software program, or costs of developing or modifying internal-use software significantly exceed the amount originally expected to develop or modify the software.

**Other Assets, net** - Other assets, net consist primarily of assets related to various deposits, the employee deferred compensation plan, and unamortized debt issuance costs on the revolving Credit Facility. Debt issuance costs on the revolving Credit Facility are capitalized and amortized to interest expense on a straight-line basis which approximates the effective interest rate method over the term of the Company's long-term debt.

**Advertising** - Under the Company's franchise agreements, both the Company and the franchisees must contribute up to 3.0% of revenues to two national media advertising funds (the "Advertising Funds"). These Advertising Funds are used to drive initial Guest trial and repeat visits, and build the Company's brand equity and awareness. Primary advertising channels include television advertising, digital media, social media programs, email, loyalty, and public relations initiatives.

Total advertising costs of \$21.6 million, \$35.7 million, and \$34.3 million in 2023, 2022, and 2021 and were included in Selling, general, and administrative expenses.

Advertising production costs are expensed in the period when the advertising first takes place. Other advertising costs are expensed as incurred.

**Self-Insurance Programs** - The Company utilizes a self-insurance plan for health, general liability, and workers' compensation coverage. Predetermined loss limits have been arranged with insurance companies to limit the Company's per occurrence cash outlay. Accrued liabilities and other current liabilities and accrued payroll and payroll-related liabilities include the estimated cost to settle reported claims and incurred but unreported claims.

**Legal Contingencies** - In the normal course of business, we are subject to various legal proceedings and claims, the outcomes of which are uncertain. We record an accrual for legal contingencies when we determine it is probable that we have incurred a liability and we can reasonably estimate the amount of the loss. In making such determinations we evaluate, among other things, the probability of an unfavorable outcome, and when we believe it probable that a liability has been incurred, our ability to make a reasonable estimate of the loss.

**Pre-opening Costs** - Pre-opening costs are expensed as incurred. Pre-opening costs include rental expenses through the date of opening for each restaurant, travel expenses, wages, and benefits for the training and opening teams, as well as food, beverage, and other restaurant opening costs incurred prior to a restaurant opening for business. Costs related to preparing restaurants to introduce Donatos<sup>®</sup> are expensed as incurred and included in pre-opening costs.

**Income Taxes** - Deferred tax liabilities are recognized for the estimated effects of all taxable temporary differences, and deferred tax assets are recognized for the estimated effects of all deductible temporary differences, net operating losses, and tax credit carryforwards. Realization of net deferred tax assets is dependent upon profitable operations and future reversals of existing taxable temporary differences. However, the amount of the deferred tax assets considered realizable could be adjusted if estimates of future taxable income during the carry forward period are increased or reduced or if there are differences in the timing or amount of future reversals of existing taxable temporary differences.

Pursuant to the guidance for uncertain tax positions, a taxpayer must be able to more likely than not sustain a position to recognize a tax benefit, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. The Company has analyzed filing positions in all of the federal, state, and foreign jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The only periods subject to examination for the Company's federal and state returns are the 2019 through 2023 tax years.

The Company records interest and penalties associated with audits as a component of income before taxes. Penalties are recorded in Selling, general, and administrative expenses, interest received is recorded in Interest income and other, net, and interest paid is recorded in Interest expense on the consolidated statements of operations and comprehensive loss. The Company recorded immaterial penalty and interest expense on the identified tax liabilities in 2023, 2022, and 2021.



**Loss Per Share** - Basic loss per share amounts are calculated by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are calculated based upon the weighted average number of common and potentially dilutive common shares outstanding during the year. Potentially dilutive shares are excluded from the computation in periods in which they have an anti-dilutive effect. Diluted loss per share reflects the potential dilution that could occur if holders of options and awards exercised their holdings into common stock. As the Company was in a net loss position for each of the fiscal years ended December 31, 2023, December 25, 2022, and December 26, 2021, all potentially dilutive common shares are considered anti-dilutive.

The Company uses the treasury stock method to calculate the impact of outstanding stock options and awards. Basic weighted average shares outstanding is reconciled to diluted weighted average shares outstanding for the fiscal years ended December 31, 2023, December 25, 2022, and December 26, 2021 as follows (in thousands):

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Basic weighted average shares outstanding	15,835	15,840	15,660
Dilutive effect of stock options and awards	—	—	—
Diluted weighted average shares outstanding	<u>15,835</u>	<u>15,840</u>	<u>15,660</u>
Awards excluded due to anti-dilutive effect on diluted earnings per share	<u>1,409</u>	<u>1,481</u>	<u>875</u>

**Comprehensive Loss** - Total comprehensive loss consists of the net loss and other gains and losses affecting stockholders' equity that, under U.S. GAAP, are excluded from net income. Other comprehensive (loss) income as presented in the consolidated statements of operations and comprehensive loss for 2023, 2022, and 2021 consisted of the foreign currency translation adjustment resulting from the Company's Canadian franchise operations.

**Stock-Based Compensation** - The Company maintains several equity incentive plans under which it may grant stock options, stock appreciation rights, restricted stock, stock variable compensation, or other forms of awards granted or denominated in the Company's common stock or units of the Company's common stock, as well as cash variable compensation awards to employees, non-employees, directors, and consultants. The Company also maintains an employee stock purchase plan. The Company issues shares relating to stock-based compensation plans and the employee stock purchase plan from treasury shares. We recognize compensation expenses for only the portion of share-based awards that are expected to vest. Therefore, we apply estimated forfeiture rates that are derived from our historical forfeitures of similar awards when a Team Member leaves the Company.

**Deferred Compensation** - The Company has assets and liabilities related to a deferred compensation plan. The assets of the deferred compensation plan are held in a rabbi trust, where they are invested in certain mutual funds that cover an investment spectrum range from equities to money market instruments. Fluctuations in the market value of the investments held in the trust result in the recognition of deferred compensation expense or income reported in Selling, general, and administrative expenses and recognition of investment gain or loss reported in Interest income and other, net, in the consolidated statements of operations and comprehensive loss.

**Foreign Currency Translation** - The Canadian Dollar is the functional currency for our Canadian entity operations. Assets and liabilities denominated in Canadian Dollars are translated into U.S. Dollars at exchange rates in effect as of the balance sheet date. Income and expense accounts are translated using the average exchange rates prevailing throughout the period. The resulting translation adjustment is recorded as a separate component of Other comprehensive (loss) income.

## 2. Recent Accounting Pronouncements

### *Income Taxes*

In December 2023, FASB issued Update 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This update amends disclosure requirements to 1) improve the effectiveness and comparability of disclosures by aligning with U.S. Securities and Exchange Commission (SEC) Regulation S-X 210.4-08(h), Rules of General Application—General Notes to Financial Statements: Income Tax Expense, and removing disclosures that no longer are considered cost beneficial or relevant; and 2) improve the transparency of income tax disclosures related to the rate reconciliation and income taxes paid disclosures by requiring (a) consistent categories and greater disaggregation of information in the rate reconciliation and (b) income taxes paid disaggregated by jurisdiction. These amendments apply to all entities that are subject to Topic 740, Income Taxes, and will become effective for public business entities for annual periods beginning after December 15, 2024. We do not

expect these amended disclosures will have a material impact to the Company's Consolidated Financial Statements or Notes to the Consolidated Financial Statements upon adoption.

We reviewed all other recently issued accounting pronouncements and concluded they were either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

### 3. Revenue

#### Disaggregation of Revenue

In the following table, revenue is disaggregated by type of good or service (in thousands):

	Year Ended		
	December 31, 2023	December 25, 2022	December 26, 2021
Restaurant revenue	\$ 1,274,294	\$ 1,230,189	\$ 1,137,643
Franchise revenue	15,867	19,306	17,236
Gift card breakage	9,874	13,808	5,022
Other revenue	3,011	2,231	1,736
Total revenues	<u>\$ 1,303,046</u>	<u>\$ 1,265,534</u>	<u>\$ 1,161,637</u>

#### Contract Liabilities

Components of Unearned revenue in the Consolidated Balance Sheets are as follows (in thousands):

	December 31, 2023	December 25, 2022
Unearned gift card revenue	\$ 28,558	\$ 35,837
Deferred loyalty revenue	7,509	11,107
Unearned revenue	<u>\$ 36,067</u>	<u>\$ 46,944</u>

Revenue recognized in the consolidated statements of operations and comprehensive loss for the redemption of gift cards that were included in the liability balance at the beginning of the fiscal year was as follows (in thousands):

	Year Ended		
	December 31, 2023	December 25, 2022	December 26, 2021
Gift card revenue	\$ 19,224	\$ 24,109	\$ 13,652

### 4. Other Charges (Gains), net

Other charges consist of the following (in thousands):

	Year Ended		
	December 31, 2023	December 25, 2022	December 26, 2021
Asset impairment	\$ 9,130	\$ 38,534	\$ 7,052
Gain on sale of restaurant property, net of expenses	(29,543)	(9,204)	—
Severance and executive transition, net of \$128 and \$(3,299) in stock-based compensation	3,419	2,280	—
Other financing costs	—	1,462	—
Restaurant closure costs, net	3,062	828	6,276
Closed corporate office costs, net of sublease income	416	475	—
Litigation contingencies	9,140	4,148	1,330
Asset disposal and other	1,713	438	1,416
Other charges (gains), net	<u>\$ (2,663)</u>	<u>\$ 38,961</u>	<u>\$ 16,074</u>

#### Asset Impairment

During 2023, the Company recognized non-cash impairment charges of \$9.1 million, primarily related to the impairment of the long-lived assets at 19 underperforming locations and quota state liquor licenses at three locations.

During 2022, the Company recognized non-cash impairment charges of \$38.5 million, primarily related to impairments of long-lived assets at 46 underperforming locations and quota state liquor licenses at six locations.

During 2021, the Company recognized non-cash impairment charges of \$7.1 million, primarily related to impairments of long-lived assets at 10 underperforming locations and quota state liquor licenses at seven locations.

### **Gain on Sale of Restaurant Property**

During 2023, the Company sold 18 restaurant properties for aggregate net proceeds of \$58.8 million in sale-leaseback transactions that resulted in a gain, net of expenses of \$29.4 million. In addition, during 2023, the Company sold one restaurant property for total proceeds of \$1.6 million which resulted in a gain, net of expenses of \$0.1 million. The net proceeds are included within cash flows from investing activities on the Consolidated Statements of Cash Flows for the year ended December 31, 2023.

During 2022 the Company closed on an agreement to sell a restaurant property that the Company owned and leased back on a short-term basis. The Company collected initial net proceeds from the purchaser-lessor of \$3.9 million in the second quarter of 2022, which represented a portion of the total consideration received from the sale. During the third quarter of 2022, the Company received the remaining proceeds, upon which the lease terminated and the sale transaction was completed, and recognized a \$9.2 million gain on the sale of the restaurant property. The initial net proceeds of \$3.9 million are included within cash flows from financing activities and the final proceeds received of \$8.5 million are included within cash flows from investing activities on the Consolidated Statements of Cash Flows for the year ended December 25, 2022.

### **Severance and Executive Transition**

During 2023 and 2022, the Company incurred severance and executive transition costs primarily related to a reduction in force of Team Members and costs associated with changes in leadership positions. See Note 7. Accrued Payroll and Payroll-Related Liabilities, and Accrued Liabilities and Other Current Liabilities.

### **Other Financing Costs**

Other financing costs include fees related to the entry by the Company into the new Credit Agreement (as defined below) on March 4, 2022 that were not capitalized with the closing of the Credit Facility. See Note 8. Borrowings.

### **Restaurant Closure Costs, net**

Restaurant closure costs (gains) include the ongoing restaurant operating costs for closed Company-owned restaurants and closed restaurant lease termination gains or losses.

### **Closed Corporate Office Costs, Net of Sublease Income**

Closed corporate office, net of sublease income relates to a corporate office facility that was vacated in 2022, and subleased in 2023.

### **Litigation Contingencies**

In 2023, 2022 and 2021, the Company recorded reserves associated with litigation contingencies. See Note 12. Commitments and Contingencies, for further discussion.

### **Asset Disposal and Other**

Asset disposals and other relate primarily to lease terminations and closures at Company-owned restaurants in 2023. The costs in 2022 and 2021 primarily relate to COVID-19 costs, including the cost of personal protective equipment for restaurant Team Members and Guests and providing emergency sick pay to restaurant Team Members during the pandemic.

## 5. Property and Equipment, Net

Property and equipment consist of the following at December 31, 2023 and December 25, 2022 (in thousands):

	December 31, 2023	December 25, 2022
Land	\$ 19,703	\$ 39,810
Buildings	49,178	98,235
Leasehold improvements	627,805	625,429
Furniture, fixtures, and equipment	377,158	379,409
Construction in progress	19,300	12,539
Property and equipment, gross	\$ 1,093,144	\$ 1,155,422
Accumulated depreciation and amortization	(831,886)	(836,905)
Property and equipment, net	<u>\$ 261,258</u>	<u>\$ 318,517</u>

Depreciation and amortization expense on property and equipment was \$63.8 million in 2023, \$73.7 million in 2022, and \$80.5 million in 2021.

## 6. Intangible Assets

The following table presents intangible assets as of December 31, 2023 and December 25, 2022 (in thousands):

	December 31, 2023			December 25, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Franchise rights	\$ 46,863	\$ (39,777)	\$ 7,087	\$ 46,499	\$ (38,469)	\$ 8,030
Leasehold interests	13,001	(10,503)	2,498	13,001	(10,092)	2,909
Liquor licenses and other	9,632	(9,393)	239	9,640	(9,376)	264
	<u>\$ 69,496</u>	<u>\$ (59,673)</u>	<u>\$ 9,824</u>	<u>\$ 69,140</u>	<u>\$ (57,937)</u>	<u>\$ 11,203</u>
Indefinite-lived intangible assets:						
Liquor licenses and other	\$ 5,667	\$ —	\$ 5,667	\$ 6,524	\$ —	\$ 6,524
Intangible assets, net	<u>\$ 75,163</u>	<u>\$ (59,673)</u>	<u>\$ 15,491</u>	<u>\$ 75,664</u>	<u>\$ (57,937)</u>	<u>\$ 17,727</u>

The aggregate amortization expense related to intangible assets subject to amortization for 2023, 2022, and 2021 was \$2.4 million, \$2.5 million, and \$2.9 million.

The estimated aggregate future amortization expense as of December 31, 2023 is as follows (in thousands):

2024	\$ 2,294
2025	1,963
2026	1,594
2027	1,202
2028	744
Thereafter	2,027
	<u>\$ 9,824</u>

## 7. Accrued Payroll and Payroll-Related Liabilities, and Accrued Liabilities and Other Current Liabilities

Accrued payroll and payroll-related liabilities consist of the following at December 31, 2023 and December 25, 2022 (in thousands):

	December 31, 2023	December 25, 2022
Payroll and payroll-related taxes	\$ 9,484	\$ 15,799
Workers compensation insurance	4,363	4,816
Corporate and restaurant incentive compensation	9,617	4,101
Accrued vacation	6,528	5,920
Other	2,532	3,030
Accrued payroll and payroll-related liabilities	<u>\$ 32,524</u>	<u>\$ 33,666</u>

Accrued liabilities and other current liabilities consist of the following at December 31, 2023 and December 25, 2022 (in thousands):

	December 31, 2023	December 25, 2022
CARES Act deferred payroll tax	\$ —	\$ 8,780
State and city sales tax payable	7,830	7,201
Real estate, personal property, state income, and other taxes payable	7,067	6,327
General liability insurance	6,204	5,815
Utilities	2,929	2,421
Legal	8,740	7,736
Accrued interest	1,657	1,195
Accrued marketing	3,650	722
Current portion of finance lease liabilities	939	1,094
Accrued severance	184	2,505
Other	7,001	5,702
Accrued liabilities and other current liabilities	<u>\$ 46,201</u>	<u>\$ 49,498</u>

Accrued severance represents one-time termination benefits primarily related to changes in leadership positions as a result of our strategic pivot under the North Star plan and a related reduction in force and are accounted for in accordance with ASC Topic 420, *Exit or Disposal Cost Obligations*. The Company incurred a cumulative total of \$5.1 million in one-time termination benefits in Other charges in the Consolidated Statements of Operations and Comprehensive Loss, which is comprised of \$2.1 million and \$3.0 million recognized during 2023 and 2022, respectively. One-time termination benefits activity for the years ended December 25, 2022 and December 31, 2023, respectively is as follows:

	Termination Benefits	
Balance as of December 26, 2021	\$	—
Charges		2,955
Cash Payments		(450)
Balance as of December 25, 2022	<u>\$</u>	<u>2,505</u>
Charges		2,077
Cash Payments		(4,398)
Balance as of December 31, 2023	<u>\$</u>	<u>184</u>

## 8. Borrowings

Borrowings as of December 31, 2023 and December 25, 2022 are summarized below:

(Dollars in thousands)	December 31, 2023		December 25, 2022	
	Borrowings	Variable Interest Rates	Borrowings	Variable Interest Rates
Revolving line of credit	\$ —		\$ 15,000	10.44 %
Term loan	189,143	11.62 %	199,000	9.81 %
Notes payable	—		875	
Total borrowings	189,143		214,875	
Less: unamortized debt issuance costs and discounts <sup>(1)</sup>	6,549		8,345	
Less: current portion of long-term debt	—		3,375	
Long-term debt	\$ 182,594		\$ 203,155	
Revolving line of credit unamortized deferred financing charges <sup>(1)</sup> :	\$ 752		\$ 988	

<sup>(1)</sup> Loan origination costs associated with the Company's Credit Facility are included as deferred costs in Other assets, net for financing charges allocated to the Revolving line of credit, and Long-term debt for financing charges associated with the term loan in the accompanying Consolidated Balance Sheets.

Maturities of long-term debt as of December 31, 2023 are as follows (in thousands):

2024	\$ —
2025	—
2026	—
2027	189,143
Thereafter	—
	<u>\$ 189,143</u>

### Credit Facility

On March 4, 2022, the Company replaced its prior amended and restated Credit Agreement (the "Prior Credit Agreement") with a new Credit Agreement (the "Credit Agreement") by and among the Company, Red Robin International, Inc., as the borrower, the lenders from time to time party thereto, the issuing banks from time to time party thereto, Fortress Credit Corp., as Administrative Agent and as Collateral Agent and JPMorgan Chase Bank, N.A., as Sole Lead Arranger and Sole Bookrunner. The five-year \$225.0 million Credit Agreement provides for a \$25.0 million revolving line of credit and a \$200.0 million term loan (collectively, the "Credit Facility"). The borrower maintains the option to increase the Credit Facility in the future, subject to lenders' participation, by up to an additional \$40.0 million in the aggregate on the terms and conditions set forth in the Credit Agreement.

The Credit Facility will mature on March 4, 2027. No amortization is required with respect to the revolving Credit Facility. The term loans require quarterly principal payments in an aggregate annual amount equal to 1.0% of the original principal amount of the term loan. The Credit Agreement's interest rate references the Secured Overnight Financing Rate ("SOFR"), a new index calculated by short-term repurchase agreements and backed by U.S. Treasury securities, or the Alternate Base Rate ("ABR"), which represents the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 0.5% per annum, or (c) one-month term SOFR plus 1.0% per annum.

As of December 31, 2023, the Company had outstanding borrowings under the Credit Facility of \$182.6 million, in addition to amounts issued under letters of credit of \$7.7 million. As of December 25, 2022, the Company had outstanding borrowings under the Credit Facility of \$205.7 million, in addition to amounts issued under letters of credit of \$9.1 million.

Red Robin International, Inc., is the borrower under the Credit Agreement, and certain of its subsidiaries and the Company are guarantors of borrower's obligations under the Credit Agreement. Borrowings under the Credit Agreement are secured by substantially all of the assets of the borrower and the guarantors, including the Company, and are available to: (i) refinance certain existing indebtedness of the borrower and its subsidiaries, (ii) pay any fees and expenses in connection with the Credit Agreement, and (iii) provide for the working capital and general corporate requirements of the Company, the borrower and its subsidiaries, including permitted acquisitions and capital expenditures, but excluding restricted payments.

On March 4, 2022, Red Robin International, Inc., the Company, and the guarantors also entered into a Pledge and Security Agreement (the "Security Agreement") granting to the Administrative Agent a first priority security interest in substantially all of the assets of the borrower and the guarantors to secure the obligations under the Credit Agreement. This new Security Agreement replaced the existing security agreement, dated January 10, 2020, which was entered into in connection with the Prior Credit Agreement.

Red Robin International, Inc., as the borrower is obligated to pay customary fees to the agents, lenders and issuing banks under the Credit Agreement with respect to providing, maintaining, or administering, as applicable, the credit facilities.

In connection with entry into the new Credit Agreement, the Company's Prior Credit Agreement was terminated. In connection with such termination and new borrowings under the new Credit Agreement, the Company paid off all outstanding borrowings, accrued interest, and fees under the Prior Credit Agreement.

On July 17, 2023, the Company amended the Credit Agreement (the "Credit Agreement Amendment") to remove the previously included \$50.0 million aggregate cap (the "Prior Cap") on sale-leasebacks of Company-owned real property. Pursuant to the Credit Agreement Amendment, it also was agreed that (i) the Company may reinvest in the business within 360 days of receipt the net proceeds of sale-leasebacks to the extent that such proceeds are equal to or less than the amount of the Prior Cap and (ii) the Company shall make a mandatory prepayment with the net proceeds of sale-leasebacks to the extent that such proceeds exceed the amount of the Prior Cap. Additionally, the prepayment premium associated with any mandatory prepayments derived from the net proceeds of sale-leasebacks that exceed the Prior Cap was reduced by the Credit Agreement Amendment to a premium equal to 50% of the prepayment premium otherwise applicable. The Amendment also made certain other conforming changes to the Existing Credit Agreement to effect the foregoing.

The summary descriptions of the Credit Agreement, the Security Agreement, and the Credit Agreement Amendment do not purport to be complete and are qualified in their entirety by reference to the full text of each agreement, each of which is filed as an exhibit to this Annual Report on Form 10-K.

During the first quarter of 2022, the Company expensed approximately \$1.7 million of deferred financing charges related to the extinguishment of the Prior Credit Agreement on March 4, 2022. These charges were recorded to interest expense, net and other on the Consolidated Statements of Operations and Comprehensive Loss for the year ended December 25, 2022.

## 9. Fair Value Measurements

Fair value measurements are made under a three-tier fair value hierarchy, which prioritizes the inputs used in the measuring of fair value:

- Level 1: Observable inputs that reflect unadjusted quote prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

### Assets and Liabilities Measured at Fair Value on a Recurring Basis

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, accounts payable, and current accrued expenses and other current liabilities approximate fair value due to the short-term nature or maturity of the instruments.

The Company maintains a rabbi trust to fund obligations under a deferred compensation plan. See Note 15. Employee Benefit Programs. Amounts in the rabbi trust are invested in mutual funds, which are designated as trading securities and carried at fair value and are included in Other assets, net in the accompanying consolidated balance sheets. Fair market value of mutual funds is measured using level 1 inputs (quoted prices for identical assets in active markets).

The following tables present the Company's assets measured at fair value on a recurring basis as of December 31, 2023 and December 25, 2022 (in thousands):

	<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets:</b>				
Investments in rabbi trust	\$ 2,079	\$ 2,079	\$ —	\$ —
Total assets measured at fair value	<u>\$ 2,079</u>	<u>\$ 2,079</u>	<u>\$ —</u>	<u>\$ —</u>
	<u>December 25, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets:</b>				
Investments in rabbi trust	\$ 4,250	\$ 4,250	\$ —	\$ —
Total assets measured at fair value	<u>\$ 4,250</u>	<u>\$ 4,250</u>	<u>\$ —</u>	<u>\$ —</u>

## Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities recognized or disclosed at fair value on the consolidated financial statements on a nonrecurring basis include items such as property, plant and equipment, right of use assets, and intangible assets. These assets are measured at fair value if determined to be impaired.

During 2023, 2022, and 2021, the Company measured non-financial assets for impairment using continuing and projected future cash flows, as discussed in Note 4. Other Charges (Gains), net, which were based on significant inputs not observable in the market and thus represented a level 3 fair value measurement.

Based on our 2023, 2022, and 2021 impairment analyses, we impaired long-lived assets at 19, 46 and 10 locations with carrying values of \$36.5 million, \$80.4 million, and \$13.7 million, respectively. We determined the fair value of these long-lived assets in 2023, 2022, and 2021 to be \$27.4 million, \$42.4 million and \$7.2 million, respectively, based on level 3 fair value measurements.

Liquor licenses with indefinite lives are reviewed for impairment annually or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value. We determine fair value based on quoted prices in the active market for the license in the same or similar jurisdictions, representing a level 1 fair value measurement. During the fourth quarter of 2023, the Company performed its annual review of its indefinite lived liquor licenses that had a carrying value of \$6.2 million, and recorded impairment charges of \$0.2 million to indefinite-lived intangibles in 2023. Impairment charges of \$0.5 million were recorded to liquor licenses with indefinite lives in 2022 and \$0.5 million impairment charges were recorded in 2021.

## Disclosures of Fair Value of Other Assets and Liabilities

The Company's liability under its Credit Facility is carried at historical cost in the accompanying consolidated balance sheets. As of December 31, 2023, the fair value of the Credit Facility was approximately \$186.9 million and the principal amount carrying value was \$189.1 million. The Credit Facility term loan is reported net of \$6.5 million in unamortized discount and debt issuance costs in the consolidated balance sheet as of December 31, 2023. The carrying value approximated the fair value of the Credit Facility as of December 25, 2022, as the interest rate on the instrument approximated current market rates. The interest rate on the Credit Facility represents a level 2 fair value input.

## 10. Leases

The Company's finance and operating lease assets and liabilities as of December 31, 2023 and December 25, 2022 as follows (in thousands):

	Finance <sup>(1)</sup>	Operating <sup>(2)</sup>
<b>December 31, 2023</b>		
Lease assets, net	\$ 6,264	\$ 361,609
Current portion of lease obligations	939	43,819
Long-term portion of lease obligations	7,745	383,439
<b>Total</b>	<b>\$ 8,684</b>	<b>\$ 427,258</b>
<b>December 25, 2022</b>		
Lease assets, net	\$ 7,551	\$ 361,432
Current portion of lease obligations	1,094	47,394
Long-term portion of lease obligations	8,958	393,157
<b>Total</b>	<b>\$ 10,052</b>	<b>\$ 440,551</b>

<sup>(1)</sup> Finance lease assets and obligations are included in Other assets, net, Accrued liabilities and other current liabilities, and Other non-current liabilities on our December 31, 2023 and December 25, 2022 Consolidated Balance Sheets.

<sup>(2)</sup> Operating lease assets and obligations are included in Operating lease assets, net, Current portion of operating lease liabilities, and Long-term portion of operating lease liabilities on our December 31, 2023 and December 25, 2022 Consolidated Balance Sheets.



The components of lease expense, including variable lease costs primarily consisting of common area maintenance charges and real estate taxes, are included in Occupancy on our consolidated statements of operations and comprehensive loss as follows (in thousands):

	Year Ended		
	December 31, 2023	December 25, 2022	December 26, 2021
Operating lease cost	\$ 72,346	\$ 69,879	\$ 70,000
Finance lease cost:			
Amortization of right of use assets <sup>(1)</sup>	985	1,121	856
Interest on lease liabilities <sup>(2)</sup>	520	583	532
Total finance lease cost	\$ 1,505	\$ 1,704	\$ 1,388
Variable lease cost	19,806	18,965	19,812
Total lease costs	<u>\$ 93,657</u>	<u>\$ 90,548</u>	<u>\$ 91,200</u>

<sup>(1)</sup> Amortization of finance lease right of use assets is recorded to depreciation and amortization in our Consolidated Statements of Operations and Comprehensive Loss.

<sup>(2)</sup> Interest on finance lease liabilities is recorded to interest expense in our Consolidated Statements of Operations and Comprehensive Loss.

Maturities of our lease liabilities as of December 31, 2023 were as follows (in thousands):

	Finance Leases	Operating Leases
2024	\$ 1,386	\$ 82,310
2025	1,405	79,319
2026	1,410	73,817
2027	1,340	67,157
2028	1,111	59,783
Thereafter	4,132	257,510
Total future lease liability	<u>\$ 10,784</u>	<u>\$ 619,896</u>
Less imputed interest	2,100	192,638
Present value of lease liability	<u>\$ 8,684</u>	<u>\$ 427,258</u>

Supplemental cash flow information in thousands (except other information) related to leases is as follows:

	Year Ended		
	December 31, 2023	December 25, 2022	December 26, 2021
Cash flows from operating activities			
Cash paid related to lease liabilities			
Operating leases	\$ 80,469	\$ 85,400	\$ 81,520
Finance leases	520	583	532
Cash flows from financing activities			
Cash paid related to lease liabilities			
Finance leases	898	1,292	1,733
Cash paid for amounts included in the measurement of lease liabilities	<u>\$ 81,887</u>	<u>\$ 87,275</u>	<u>\$ 83,785</u>
Right of use assets obtained in exchange for operating lease obligations	\$ 53,915	\$ 13,848	\$ 28,738
Right of use assets obtained in exchange for finance lease obligations	\$ 81	\$ 1,139	\$ 1,170
Other information related to operating leases as follows:			
Weighted average remaining lease term	8.68	9.04	9.69
Weighted average discount rate	8.15 %	7.25 %	7.05 %
Other information related to financing leases as follows:			
Weighted average remaining lease term	9.34	10.27	10.81
Weighted average discount rate	4.87 %	4.88 %	4.56 %

## 11. Income Taxes

Loss before income taxes includes the following components for the fiscal years ended December 31, 2023, December 25, 2022, and December 26, 2021 (in thousands):

	2023	2022	2021
U.S.	\$ (20,894)	\$ (77,976)	\$ (50,419)
Foreign	(24)	(160)	(176)
Loss before income taxes	<u>\$ (20,918)</u>	<u>\$ (78,136)</u>	<u>\$ (50,595)</u>

The expense (benefit) for income taxes for the fiscal years ended December 31, 2023, December 25, 2022, and December 26, 2021 consist of the following (in thousands):

	2023	2022	2021
Current:			
Federal	\$ 37	\$ 374	\$ —
State	273	373	(152)
Foreign	—	—	—
Total current income tax expense (benefit)	<u>\$ 310</u>	<u>\$ 747</u>	<u>\$ (152)</u>
Deferred:			
Federal	\$ —	\$ —	\$ —
State	—	—	—
Foreign	—	—	—
Total deferred income tax expense (benefit)	<u>—</u>	<u>—</u>	<u>—</u>
Income tax expense (benefit), net	<u>\$ 310</u>	<u>\$ 747</u>	<u>\$ (152)</u>

The reconciliation between the income tax expense (benefit) and the amount of income tax computed by applying the U.S. federal statutory rate to loss before income taxes as shown in the accompanying Consolidated Statements of Operations and Comprehensive Loss for fiscal years ended December 31, 2023, December 25, 2022, and December 26, 2021 is as follows:

	2023	2022	2021
Tax provision at U.S. federal statutory rate	21.0 %	21.0 %	21.0 %
State income taxes	4.2	4.0	3.8
FICA tip tax credits	—	—	—
Foreign taxes versus U.S statutory rate	—	—	—
Valuation allowance on deferred income tax assets	(22.3)	(24.2)	(25.2)
Impact of CARES Act and related method changes	—	—	—
Other tax credits	—	—	—
Meals and entertainment	—	—	—
Excess stock options	(3.3)	(1.1)	1.1
Employee travel	—	—	—
Other	(1.1)	(0.7)	(0.4)
Effective tax rate	<u>(1.5)%</u>	<u>(1.0)%</u>	<u>0.3 %</u>

The Company's federal and state deferred taxes at December 31, 2023 and December 25, 2022 are as follows (in thousands):

	2023	2022
Deferred tax assets:		
Leasing transactions	\$ 113,963	\$ 115,832
General business and other tax credits	40,441	40,802
Net operating loss carryover	44,131	47,847
Accrued compensation and related costs	5,361	8,651
Goodwill	7,244	7,851
Stock-based compensation	6,333	7,309
Advanced payments	628	1,371
Interest expense	11,345	5,247
Other non-current deferred tax assets	2,478	3,479
Subtotal	<u>231,924</u>	<u>238,389</u>
Valuation allowance	(119,861)	(115,790)
Total	<u>\$ 112,063</u>	<u>\$ 122,599</u>
Deferred tax liabilities:		
Leasing transactions	\$ (97,386)	\$ (97,871)
Property and equipment	(1,242)	(11,550)
Supplies inventory	(4,415)	(4,047)
Prepaid expenses	(1,472)	(1,906)
Other non-current deferred tax liabilities	(7,548)	(7,225)
Total	<u>\$ (112,063)</u>	<u>\$ (122,599)</u>
Net deferred tax asset	<u>\$ —</u>	<u>\$ —</u>

The Company had net operating loss carryforwards for tax purposes of \$44.1 million as of December 31, 2023. This is comprised of approximately \$17.0 million of federal net operating loss carryovers, approximately \$17.9 million of state net operating loss carryovers, and approximately \$9.2 million of foreign net operating loss carryovers. The federal net operating loss has an indefinite carryforward period, the state net operating loss carryovers expire at various dates between 2025 and 2042, and the foreign net operating loss carryovers expire at various dates between 2035 and 2042.

As of December 31, 2023, the Company had a deferred tax asset of \$39.3 million related to federal tax credits, which expire at various dates between 2037 and 2041. The Company also had a deferred tax asset of \$1.1 million related to state tax credits which expire in 2024.

The Company establishes a valuation allowance to reduce the carrying amount of deferred income tax assets when it is more likely than not that it will not realize some portion or all the tax benefit of its deferred income tax assets. The realization of deferred tax assets depends on the generation of future taxable income during the periods in which the temporary differences become deductible. In making this determination, the Company considers all available positive and negative evidence including historical operating losses, the reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies. In 2020, management determined that a full valuation allowance was required and has recorded a full valuation allowance as of December 31, 2023 and at December 25, 2022.

Based on the Company's evaluation of its deferred tax assets, a valuation allowance of approximately \$119.9 million has been recorded against the deferred tax asset for federal and state tax credits, federal and state deferred tax assets, all net operating loss carry forwards and the deferred taxes of our foreign subsidiary.

The following table summarizes the Company's unrecognized tax benefits at December 31, 2023, December 25, 2022, and December 26, 2021 (in thousands):

	2023	2022	2021
Beginning of year	\$ 185	\$ 32	\$ 80
Increase due to current year tax positions	—	177	3
Due to decrease to a position taken in a prior year	—	—	—
Settlements	—	—	—
Reductions related to lapses in the statute of limitations	—	(24)	(51)
End of year	<u>\$ 185</u>	<u>\$ 185</u>	<u>\$ 32</u>

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is approximately \$0.2 million. The Company does not anticipate significant changes in the aggregate amount of unrecognized tax benefits within the next 12 months, other than nominal tax settlements.

The Company had outstanding federal and state refund claims of approximately \$0.6 million as of December 31, 2023.

## 12. Commitments and Contingencies

Because litigation is inherently unpredictable, assessing contingencies related to litigation is a complex process involving highly subjective judgment about potential outcomes of future events. When evaluating litigation contingencies, we may be unable to provide a meaningful estimate due to a number of factors, including the procedural status of the matter in question, the availability of appellate remedies, insurance coverage related to the claim or claims in question, the presence of complex or novel legal theories, and the ongoing discovery and development of information important to the matter. In addition, damage amounts claimed in litigation against us may be unsupported, exaggerated, or unrelated to possible outcomes, and as such are not meaningful indicators of our potential liability or financial exposure. Accordingly, we review the adequacy of accruals and disclosures each quarter in consultation with legal counsel, and we assess the probability and range of possible losses associated with contingencies for potential accrual in the consolidated financial statements. However, the ultimate resolution of litigated claims may differ from our current estimates.

In the normal course of business, there are various claims in process, matters in litigation, administrative proceedings, and other contingencies. These include employment related claims and class action lawsuits, claims from Guests or Team Members alleging illness, injury, food quality, health, or operational concerns, and lease and other commercial disputes. To date, none of these claims, certain of which are covered by insurance policies, have had a material effect on the Company. While it is not possible to predict the outcome of these suits, legal proceedings, and claims with certainty, management is of the opinion that adequate provision for potential losses associated with these matters has been made in the financial statements and that the ultimate resolution of these matters will not have a material adverse effect on our financial position and results of operations. However, a significant increase in the number of these claims, or one or more successful claims resulting in greater liabilities than we currently anticipate, could materially and adversely affect our business, financial condition, results of operations, and cash flows.

As of December 31, 2023, we had reserves of \$8.7 million for loss contingencies include within Accrued liabilities and other on our Consolidated Balance Sheet. In the normal course of business, there are various claims in process, matters in litigation, administrative proceedings, and other contingencies. These include employment related claims and class action lawsuits, claims from Guests or Team Members alleging illness, injury, food quality, health, or operational concerns, and lease and other commercial disputes. We recorded estimated loss contingency reserves of approximately \$9.1 million for the year ended December 31, 2023 related to ongoing litigation matters. We ultimately may be subject to greater or less than the accrued amount for this and other matters.

As of December 31, 2023, we had non-cancellable purchase commitments primarily related to certain vendors who provide food and beverages and other supplies to our restaurants, for an aggregate of \$230.7 million. We expect to fulfill our commitments under these agreements in the normal course of business, and as such, no liability has been recorded.

### **13. Stockholders' Deficit**

On August 9, 2018, the Company's Board of Directors authorized an increase to the Company's share repurchase program of approximately \$21 million to a total of \$75 million of the Company's common stock. The increased share repurchase authorization became effective on August 9, 2018 and will terminate upon completing repurchases of \$75 million of common stock unless otherwise terminated by the board. Purchases under the repurchase program may be made in open market or privately negotiated transactions. Purchases may be made from time to time at the Company's discretion, and the timing and amount of any share repurchases will be determined based on share price, market conditions, legal requirements, and other factors. The repurchase program does not obligate the Company to acquire any particular amount of common stock, and the Company may suspend or discontinue the repurchase program at any time. In 2023, the Company repurchased \$10.0 million in shares under its share repurchase program. From the date of the current program approval through December 31, 2023, we have repurchased a total of 1,088,588 shares at an average price of \$15.18 per share for an aggregate amount of \$16.5 million. Accordingly, as of December 31, 2023, we had \$58.4 million of availability under the current share repurchase program.

### **14. Stock Incentive Plans**

In May 2017, the Company's stockholders approved the 2017 Performance Incentive Plan (the "2017 Stock Plan"). Following the date of approval, all grants are made under the 2017 Stock Plan and no new awards may be granted under the Second Amended and Restated 2007 Performance Plan (the "2007 Stock Plan"). The 2017 Stock Plan authorizes the issuance of stock options, stock appreciation rights (SARs), and other forms of awards granted or denominated in the Company common stock or unit of the Company's common stock, as well as cash performance awards pursuant to the plan. Persons eligible to receive awards under the 2017 Stock Plan include officers, employees, directors, consultants, and other service providers or any affiliate of the Company. The maximum number of shares of the Company's common stock that may be issued or transferred pursuant to awards under the 2017 Stock Plan was 630,182 shares. The 2017 Stock Plan was amended in May 2019, and again in May 2020 to add an additional 660,000 and 275,000 shares, respectively, bringing the total maximum shares that may be issued to 1,565,182 shares as of December 31, 2023.

Vesting of the awards under the 2017 Stock Plan is determined at the date of grant by the plan administrator. Each award granted under the 2017 Stock Plan and 2007 Stock Plan fully vests, becomes exercisable and/or payable, as applicable, upon a change in control event. However, unless the individual award agreement provides otherwise, with respect to executive and certain other high level officers, upon the occurrence of a change in control, no award will vest unless such officers' employment with the Company is terminated by the Company without cause during the two years following such change in control event. Each award expires on such date as shall be determined at the date of grant; however, the maximum term of options, SARs, and other rights to acquire common stock under the plan is ten years after the initial date of the award, subject to provisions for further deferred payment in certain circumstances. Vesting of awards under these plans were generally time based over a period of one year to four years. As of December 31, 2023, 100,210 options and awards to acquire the Company's common stock remained outstanding under the 2007 Stock Plan; all remaining options and awards are outstanding under the 2017 Stock Plan.

Stock-based compensation costs recognized in 2023, 2022, and 2021 were \$6.8 million, \$6.3 million, and \$6.6 million with related income tax benefits of \$0.8 million, \$0.6 million, and \$1.4 million. The 2022 costs were comprised of \$9.6 million stock-based compensation, partially offset by a \$3.3 million reduction due to Executive Team forfeitures recorded in Other charges in the Consolidated Statements of Operations and Comprehensive Loss.

As of December 31, 2023, there was \$9.9 million of unrecognized compensation cost, excluding estimated forfeitures. Unrecognized compensation costs are expected to be recognized over the weighted average remaining vesting period of approximately 1.13 years for the restricted stock units ("RSU") and 1.65 years for the performance stock units ("PSU"). There is no unrecognized compensation cost for stock options in the year ended December 31, 2023.

## Stock Options

The tables below summarize the status of the Company's stock option plans (in thousands, except exercise price):

	Stock Options	
	Shares	Weighted Average Exercise Price
Outstanding, December 25, 2022	419	\$ 37.69
Granted	—	—
Forfeited/expired	(158)	42.32
Exercised	(144)	12.61
Outstanding, December 31, 2023	117	\$ 62.32

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Years of Contractual Life	Aggregate Intrinsic Value
Outstanding as of December 31, 2023	117	\$ 62.32	1.83	\$ —
Vested and expected to vest as of December 31, 2023 <sup>(1)</sup>	116	\$ 62.32	1.83	\$ —
Exercisable as of December 31, 2023	116	\$ 62.32	1.83	\$ —

<sup>(1)</sup> The expected to vest options are the result of applying the pre-vesting forfeiture rate assumption to total outstanding options. The Company applies estimated forfeiture rates that are derived from our historical forfeitures of similar awards.

The estimated fair value of each option granted is calculated using the Black-Scholes multiple option-pricing model, and expense is recognized straight line over the vesting period. No options were granted during 2023, 2022, or 2021.

Total intrinsic value of options exercised was \$213 thousand, \$4 thousand, and \$89 thousand in 2023, 2022, and 2021, respectively.

## Time-Based RSUs

During 2023, 2022, and 2021, the Company issued time-based restricted stock units ("RSUs") to certain employees as permitted under the 2017 Stock Plan. The RSUs granted to employees typically vest in equal installments over three to four years. For the Company's Board of Directors, RSUs vest in full on the earlier of the one-year anniversary of the grant date or the next annual stockholder meeting. Upon vesting, one share of the Company's common stock is issued for each RSU. The fair value of each RSU granted is equal to the market price of the Company's stock at the date of grant, and expense is recognized straight line over the vesting period.

The table below summarizes the status of the Company's time-based RSUs under the 2017 and 2007 Stock Plans (shares in thousands):

	Restricted Stock Units	
	Shares	Weighted Average Grant-Date Fair Value (per share)
Outstanding, December 25, 2022	432	\$ 19.05
Awarded	565	11.93
Forfeited	(232)	20.13
Vested	(166)	15.96
Outstanding, December 31, 2023 <sup>(1)</sup>	599	\$ 12.75

<sup>(1)</sup> Awards expected to vest are the result of applying the pre-vesting forfeiture rate assumption to total outstanding awards. The Company applies estimated forfeiture rates that are derived from our historical forfeitures of similar awards.

## Performance Stock Units

During 2023, 2022, and 2021, the Company granted performance stock unit awards ("PSUs") to certain employees as permitted under the 2017 Stock Plan. Each PSU represents the right to receive one share of the Company's common stock on the payment date.

Prior to 2020, each PSU was divided into three equal tranches with applicable performance periods, typically consisting of a fiscal year, subject to the achievement of the applicable performance goals at target and applicable vesting conditions. Fair value of each PSU granted was equal to the market price of the Company's stock at the grant date, and expense is recognized ratably across the total performance period based on probability of achieving applicable performance goals. PSUs remain unvested until the end of the third performance period and are forfeited in the event of termination of employment of a grantee prior to the last day of the third performance period.

Beginning in 2020, the Company began granting PSU awards based on relative total stockholder return defined as increases in the Company's stock price during a performance period of three years as compared to the total stockholder return of a group of peer companies. Fair value of each PSU granted is determined by a Monte Carlo valuation model, and expense is recognized straight line over the performance period. PSUs remain unvested until the last day of the three year performance period and are generally forfeited in the event of termination of employment of a grantee prior to the last day of the three year performance period. If the relative total stockholder return target is not met, compensation cost for these PSUs is not reversed.

The table below summarizes the status of the Company's performance stock units under the 2017 Stock Plan (shares in thousands):

	Performance Stock Units	
	Shares	Weighted Average Grant-Date Fair Value (per share)
Outstanding, December 25, 2022	233	\$ 34.82
Awarded	369	18.95
Forfeited	(175)	29.41
Vested	—	—
Outstanding, December 31, 2023 <sup>(1)</sup>	427	\$ 23.38

<sup>(1)</sup> Awards expected to vest are the result of applying the pre-vesting forfeiture rate assumption to total outstanding awards. The Company applies estimated forfeiture rates that are derived from our historical forfeitures of similar awards.

## Inducement Grants

The Company granted stock-based awards to certain of the Company's new executive officers as inducements material to their commencement of employment and entry into an employment agreement with the Company. The inducement grants were made in accordance with Nasdaq Listing Rule 5635(c)(4) and were not made under the 2017 Plan.

The inducement grants, which include PSU and RSU awards, are generally subject to substantially the same terms and conditions as grants that are made under the 2017 Plan and fair value is determined in the same manner as described for each grant type above.

The table below summarizes the status of the Company' inducement grants (shares in thousands):

	Restricted Stock Units		Performance Stock Units	
	Shares	Weighted Average Grant-Date Fair Value (per share)	Shares	Weighted Average Grant-Date Fair Value (per share)
Outstanding, December 25, 2022	188	\$ 7.57	124	\$ 6.13
Awarded	—	—	—	—
Forfeited	—	—	—	—
Vested	(63)	7.57	—	—
Outstanding, December 31, 2023 <sup>(1)</sup>	125	\$ 7.57	124	\$ 6.13

<sup>(1)</sup> Awards expected to vest are the result of applying the pre-vesting forfeiture rate assumption to total outstanding awards. The Company applies estimated forfeiture rates that are derived from our historical forfeitures of similar awards.

## Long-Term Cash Incentive Plan

Beginning in 2020, the long-term cash incentive plan is based on relative total stockholder return defined as increases in the Company's stock price during a performance period of 3 years as compared to the total stockholder return of a group of peer

companies. Compensation is recognized variably over the 3-year performance period based on a Monte Carlo valuation model. Beginning in 2017, the long-term cash incentive plan was based on operational metrics with 3 three-year performance periods. Compensation expense for awards granted before 2020 is recognized variably over the performance period based on the plan-to-date performance achievement. All long-term cash incentive awards cliff vest after 3 years at the end of each performance cycle. In 2023, 2022, and 2021, the Company recorded \$(0.1) million, \$(0.4) million, and \$0.5 million, respectively in compensation expense to Selling, general, and administrative expenses in the consolidated statements of operations and comprehensive loss related to the 2017 long-term cash incentive plan. The amounts recorded in 2023 include the reversal of the expense related to 2021 grants for which performance targets were not met.

During 2023 and 2022, there were no long-term cash incentive plan payouts. At December 31, 2023 and December 25, 2022, a \$0.4 million and \$0.6 million long-term cash incentive plan liability was included in Accrued payroll and payroll-related liabilities on the consolidated balance sheets.

## **15. Employee Benefit Programs**

### **Employee Deferred Compensation Plan**

The Company offers a deferred compensation plan that permits key employees and other members of management defined as highly compensated employees under the IRS code to defer portions of their compensation in a pre-tax savings vehicle that allows for retirement savings above 401(k) limits. Under this plan, eligible Team Members may elect to defer up to 75% of their base salary and up to 100% of variable compensation and commissions each plan year.

The assets of the deferred compensation plan are held in a rabbi trust, where they are invested in certain mutual funds that cover an investment spectrum ranging from equities to money market instruments and are available to satisfy the claims of the Company's creditors in the event of bankruptcy or insolvency. These mutual funds have published market prices and are reported at fair value. See Note 9. Fair Value Measurements. Changes in the market value of the investments held in the trust result in the recognition of a corresponding gain or loss reported in Interest income and other, net in the Consolidated Statements of Operations and Comprehensive Loss. A corresponding change in the liability associated with the deferred compensation plan results in an offsetting deferred compensation expense, or reduction of expense, reported in Selling, general, and administrative expenses in the Consolidated Statements of Operations and Comprehensive Loss.

The Company recognized a \$0.4 million increase in deferred compensation expense in 2023, and an increase in deferred compensation expenses of \$0.8 million in 2022 and \$0.7 million in 2021.

As of December 31, 2023 and December 25, 2022, \$2.1 million and \$4.3 million of deferred compensation assets are included in Other assets, net, in the accompanying Consolidated Balance Sheets. In 2023, \$0.4 million of this deferred compensation is included in Prepaid expenses and other current assets.

As of December 31, 2023 and December 25, 2022, \$1.7 million and \$4.3 million of deferred compensation plan liabilities are included in Other non-current liabilities in the accompanying Consolidated Balance Sheets. In 2023, \$0.4 million of this deferred compensation is included in Accrued liabilities and other current liabilities.

### **Employee Stock Purchase Plan**

In July 2017, the Company adopted the Amended and Restated Employee Stock Purchase Plan (the "ESPP Plan"). The ESPP Plan authorized 100,000 shares of the Company's common stock for issuance. In May 2020, our Board of Directors authorized the issuance of an additional 150,000 shares of the Company's common stock under the ESPP Plan. In December 2022, our Board of Directors authorized, and at our 2023 Annual Meeting of Stockholders, our stockholders approved, the issuance of an additional 350,000 shares of the Company's common stock under the ESPP Plan increasing the shares authorized to be granted under the ESPP Plan to a total of 600,000 shares. Under the ESPP Plan, eligible Team Members may voluntarily contribute up to 15% of their salary, subject to limitations, to purchase common stock at a price equal to 85% of the fair market value of a share of the Company's common stock on the first day of each offering period or 85% of the fair market value of a share of the Company's common stock on the last day of each offering period, whichever amount is less. In general, all of the Company's officers and Team Members who have been employed by the Company for at least one year and who are regularly scheduled to work more than 20 hours per week are eligible to participate in this plan, which operates in the successive six months commencing on January 1 and July 1 of each fiscal year. During 2023, the Company issued a total of 136,190 shares under the ESPP Plan with 269,395 shares available for future issuance. During 2022, the Company issued a total of 63,841 shares under the ESPP Plan.

For 2023, in accordance with the guidance for accounting for stock compensation, the Company estimated the fair value of the awards granted pursuant to the stock purchase plan using the Black-Scholes multiple-option pricing model. The assumptions used in the model included risk-free interest rates from 4.64% to 5.46%, 0.5 year expected life, expected volatilities from 55.00% to 55.25%, and 0% dividend yield. The weighted average fair value per share at grant date was \$1.72.



For 2022, the assumptions used in the model included 4.05% risk-free interest rate, 0.5 year expected life, expected volatility of 55.00%, and 0% dividend yield. The weighted average fair value per share at grant date was \$0.99. For 2021, the assumptions used in the model included 0.31% risk-free interest rate, 0.5 year expected life, expected volatility of 53.94%, and 0% dividend yield. The weighted average fair value per share at grant date was \$4.36. The Company recognized \$0.1 million of compensation expense related to this plan in 2023, \$0.1 million in 2022, and \$0.2 million in 2021.

### Employee Defined Contribution Plan

The Company maintains a 401(k) Savings Plan ("401k Plan") which covers eligible Team Members who have satisfied the service requirements and reached 21 years of age. The 401k Plan, which qualifies under Section 401(k) of the Internal Revenue Code, allows Team Members to defer specified percentages of their compensation on a pre-tax basis. The Company may make matching contributions in an amount determined by the Board of Directors. In addition, the Company may contribute each period, at its discretion, an additional amount from profits. Employer matching contributions equal to 100% of the first 3% of compensation and 50% on the next 2% of compensation. The Company matches contributions when the employee contribution is made, and the employer matching contributions are not subject to a vesting schedule. The Company recognized matching contribution expense of \$3.0 million in 2023, \$2.9 million in 2022, and \$2.8 million in 2021.

### 16. Acquisition of Franchised Restaurants

On April 17, 2023, the Company acquired certain assets and liabilities of five restaurants from one of its U.S. franchisees for cash consideration of \$3.5 million. The pro forma impact of this acquisition and the operating results of the acquired restaurants are not presented as the impact was not material to reported results.

The acquisition was accounted for using the purchase method as defined in ASC 805, *Business Combinations*. The goodwill arising from the acquisition consists largely of the benefit of the assembled workforce of the acquired restaurants. The goodwill generated by the acquisition is not amortizable for book purposes but is amortizable and deductible for tax purposes. The Company allocated the purchase price to the fair value of the assets acquired and liabilities assumed as follows (in thousands):

	<b>Fair Value at Acquisition Date</b>
Property and equipment, net	\$ 2,637
Operating lease assets	7,400
Operating lease liabilities	(8,250)
Operating lease assets, net	(850)
Other assets, net of liabilities <sup>(1)</sup>	299
Intangible assets, net	1,443
Total purchase price	<u>\$ 3,529</u>

<sup>(1)</sup> Includes inventory, prepaid assets, till cash, and gift card and loyalty liabilities.

The fair value measurement of tangible and intangible assets and liabilities as of the acquisition date is based on significant inputs not observed in the market and thus represents a level 3 fair value measurement.

## **ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **ITEM 9A. Controls and Procedures**

#### **Disclosure Controls and Procedures**

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of such period, are effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act are:

- Recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and
- Accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control Over Financial Reporting**

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **Management Report on Internal Control Over Financial Reporting**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act. Those rules define internal control over financial reporting as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and the receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023. In making this assessment, the Company's management used the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our assessment and those criteria, management believes that, as of December 31, 2023, the Company's internal control over financial reporting is effective.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued an audit report on the Company's internal control over financial reporting included herein.

#### **Inherent Limitations of Internal Controls**

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and misstatements are prevented or detected. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Red Robin Gourmet Burgers, Inc.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Red Robin Gourmet Burgers, Inc. and subsidiaries (the “Company”) as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2023, of the Company and our report dated February 28, 2024, expressed an unqualified opinion on those financial statements.

### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Denver, Colorado

February 28, 2024

**ITEM 9B. Other Information*****Securities Trading Plans of Directors and Executive Officers***

None.

**ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

None.

**PART III****ITEM 10. Directors, Executive Officers and Corporate Governance**

Our Board of Directors has adopted codes of ethics that apply to all of our directors, officers, and employees, including our chief executive officer, chief financial officer, and all of the finance team. The full text of our codes of ethics can be found on the governance page of our website at *ir.redrobin.com*. In the event we make any amendment to, or grant any waiver from, a provision of our codes of ethics that requires disclosure under applicable SEC rules, we will disclose such amendment or waiver and the reasons therefor on our website.

Information relating to this item will be included in an amendment to this Annual Report on Form 10-K or in the proxy statement for our 2024 annual stockholders' meeting and is incorporated by reference in this Annual Report on Form 10-K. Certain information concerning our executive officers is included in Item 1 of Part I of this Annual Report on Form 10-K and is hereby incorporated by reference.

**ITEM 11. Executive Compensation**

Information relating to this item will be included in an amendment to this Annual Report on Form 10-K or in the 2024 Proxy Statement and is hereby incorporated by reference in this Annual Report on Form 10-K.

**ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information relating to this item will be included in an amendment to this Annual Report on Form 10-K or in the 2024 Proxy Statement and is hereby incorporated by reference in this Annual Report on Form 10-K.

**ITEM 13. Certain Relationships and Related Transactions, and Director Independence**

Information relating to this item will be included in an amendment to this Annual Report on Form 10-K or in the 2024 Proxy Statement and is hereby incorporated by reference in this Annual Report on Form 10-K.

**ITEM 14. Principal Accounting Fees and Services**

Information relating to this item will be included in an amendment to this Annual Report on Form 10-K or in the 2024 Proxy Statement and is hereby incorporated by reference in this Annual Report on Form 10-K.

## PART IV

### ITEM 15. Exhibits, Financial Statement Schedules

#### (a) Exhibits and Financial Statement Schedules

- (1) Our Consolidated Financial Statements and Notes thereto are included in Item 8 of this Annual Report on Form 10-K. See "Financial Statements and Supplementary Data - Red Robin Gourmet Burgers, Inc. - Index" for more detail.
- (2) All financial schedules have been omitted either because they are not applicable or because the required information is provided in our Consolidated Financial Statements and Notes thereto, included in Item 8 of this Annual Report on Form 10-K.
- (3) Index to Exhibits

Exhibit Number	Description
(3.1)	Restated Certificate of Incorporation of Red Robin Gourmet Burgers, Inc., dated as of May 28, 2015. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on May 29, 2015.
(3.2)	Red Robin Gourmet Burgers, Inc. Fifth Amended and Restated Bylaws, as amended March 20, 2023. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on March 23, 2023.
(3.3)	Red Robin Gourmet Burgers, Inc. Fifth Amended and Restated Bylaws, marked to show amendments effective as of March 20, 2023. Incorporated by reference to Exhibit 3.21 to our Current Report on Form 8-K filed on March 23, 2023.
(4.1)	Specimen stock certificate. Incorporated by reference to Exhibit 4.1 to Amendment No. 1 of our Registration Statement on Form S-1 filed on June 10, 2002.
(4.2)	Description of Capital Stock. Incorporated by reference to Exhibit 4.2 to our Annual Report on Form 10-K filed with the SEC on February 26, 2020.
(4.3)	Amendment No. 1 to Rights Agreement, dated as of April 10, 2020, by and between Red Robin Gourmet Burgers, Inc. and American Stock Transfer & Trust Company, LLC, as rights agent. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on April 13, 2020.
(10.1)*	Red Robin Gourmet Burgers, Inc. Second Amended and Restated 2007 Performance Incentive Plan. Incorporated by reference to Appendix A to our Definitive Proxy Statement filed on April 21, 2011.
(10.2)*	Form of Red Robin Gourmet Burgers, Inc. Second Amended and Restated 2007 Performance Incentive Plan Nonqualified Stock Option Agreement. Incorporated by reference to Exhibit 10.7 to our Annual Report on Form 10-K filed on February 23, 2012.
(10.3)*	Form of Red Robin Gourmet Burgers, Inc. 2007 Performance Incentive Plan Restricted Stock Grant Agreement. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 22, 2009.
(10.4)*	Form of Red Robin Gourmet Burgers, Inc. 2007 Performance Incentive Plan Restricted Stock Unit Grant Agreement. Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on May 22, 2009.
(10.5)*	Form of Red Robin Gourmet Burgers, Inc. Restricted Stock Unit Grant Agreement for Non-Employee Directors. Incorporated by reference to Exhibit 10.5 to our Annual Report on Form 10-K filed on February 28, 2023.
(10.6)*	Form of Red Robin Gourmet Burgers, Inc. Amended and Restated 2007 Performance Incentive Plan Outside Director Stock Option Agreement. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 21, 2010.
(10.7)*	Form of Red Robin Gourmet Burgers, Inc. Second Amended and Restated 2007 Performance Incentive Plan Nonqualified Stock Option Agreement. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 23, 2014.
(10.8)*	Form of Red Robin Gourmet Burgers, Inc. Second Amended and Restated 2007 Performance Incentive Plan Restricted Stock Unit Grant Agreement. Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on May 23, 2014.
(10.9)*	Red Robin Gourmet Burgers, Inc. Amended and Restated Employee Stock Purchase Plan as amended. Incorporated by reference to Appendix A to our Definitive Proxy Statement filed on April 3, 2023.
(10.10)*	Red Robin Gourmet Burgers, Inc. Deferred Compensation Plan as Amended and Restated on December 15, 2015. Incorporated by reference to Exhibit 10.16 to our Annual Report on Form 10-K filed on February 19, 2016.
(10.11)*	Form of Indemnification Agreement entered into by and between Red Robin Gourmet Burgers, Inc. and each of our directors and certain executive officers. Incorporated by reference to Exhibit 10.20 to Amendment No. 3 of our Registration Statement on Form S-1 filed on July 12, 2002 (Registration No. 333-87044).

Exhibit Number	Description
(10.12)*	Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan. Incorporated by reference to Appendix A to our Definitive Proxy Statement filed on April 4, 2017.
(10.13)*	Form of Performance Stock Unit Award Agreement under the Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan. Incorporated by reference to Exhibit 10.41 to our Annual Report on Form 10-K filed on February 27, 2018.
(10.14)*	Form of Cash Performance Award Agreement under the Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan. Incorporated by reference to Exhibit 10.42 to our Annual Report on Form 10-K filed on February 27, 2018.
(10.15)*	Form of Performance Stock Unit Award Agreement under the Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan. Incorporated by reference to Exhibit 10.43 to our Annual Report on Form 10-K filed on February 27, 2018.
(10.17)*	Form of Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan Performance Stock Unit Award Agreement. Incorporated by reference to Exhibit 10.40 to our Annual Report on Form 10-K filed on February 25, 2020.
(10.18)*	Form of Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan Cash Performance Award Agreement. Incorporated by reference to Exhibit 10.41 to our Annual Report on Form 10-K filed on February 25, 2020.
(10.19)*	Form of Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan Restricted Stock Unit Grant Agreement. Incorporated by reference to Exhibit 10.42 to our Annual Report on Form 10-K filed on February 25, 2020.
(10.20)*	Form of Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan Nonqualified Stock Option Agreement. Incorporated by reference to Exhibit 10.43 to our Annual Report on Form 10-K filed on February 25, 2020.
(10.21)	Cooperation Agreement, dated as of March 26, 2020, by and among Red Robin Gourmet Burgers, Inc., Vintage Capital Management, LLC, and Kahn Capital Management, LLC. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on April 1, 2020.
(10.22)*	Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan (as Amended). Incorporated by reference to Appendix B to our Definitive Proxy Statement filed with the SEC on April 8, 2020.
(10.23)*	Form of Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan Performance Stock Unit Award Agreement. Incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q filed with the SEC on June 10, 2020.
(10.24)*	Form of Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan Cash Performance Award Agreement. Incorporated by reference to Exhibit 10.7 to our Quarterly Report on Form 10-Q filed with the SEC on June 10, 2020.
(10.25)	Distribution Agreement, dated as of June 16, 2020, by and between Red Robin Gourmet Burgers, Inc. and J.P. Morgan Securities LLC. Incorporated by reference to Exhibit 1.1 to our Current Report on Form 8-K filed with the SEC on June 16, 2020.
(10.26)	Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan (As Amended). Incorporated by reference to Appendix A to our Definitive Proxy Statement filed on April 5, 2021.
(10.27)	Credit Agreement, dated March 4, 2022, by and among Red Robin Gourmet Burgers, Inc. and Fortress Credit Corp., and the lenders party thereto. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on March 10, 2022.
(10.28)	Security Agreement, dated March 4, 2022, by and among Red Robin Gourmet Burgers, Inc., Red Robin International, Inc., Fortress Credit Corp., and the lenders party thereto. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on March 10, 2022.
10.29*	Amendment No. 1, dated July 17, 2023, by and among Red Robin Gourmet Burgers, Inc., Red Robin International, Inc., Fortress Credit Corp., and the lenders party thereto, to Credit Agreement dated March 4, 2022. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on July 19, 2023.
(10.30)*	Offer Letter by and between Red Robin Gourmet Burgers, Inc. and G.J. Hart, dated July 13, 2022. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on July 14, 2022.
(10.31)*	Employment Agreement, by and between Red Robin Gourmet Burgers, Inc. and Todd Wilson, dated November 3, 2022. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on November 3, 2022.
(10.32)*	Severance Agreement, by and between Red Robin Gourmet Burgers, Inc. and Darla Morse, dated November 11, 2022. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on November 17, 2022.
(10.33)*	Severance Agreement, by and between Red Robin Gourmet Burgers, Inc. and Lynn Schweinfurth, dated November 14, 2022. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on November 17, 2022.

Exhibit Number	Description
(10.34)*	Severance Agreement, by and between Red Robin Gourmet Burgers, Inc. and Jonathan Muhtar, dated November 22, 2022. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on November 25, 2022.
(10.35)*	Severance Agreement, by and between Red Robin Gourmet Burgers, Inc. and Michael Buchmeier, dated December 18, 2022. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on December 21, 2022.
(10.36)*	Employment Agreement, by and between Red Robin Gourmet Burgers, Inc. and Sarah Mussetter, dated October 28, 2022. Incorporated by reference to Exhibit 10.39 to our Annual Report on Form 10-K filed with the SEC on February 28, 2023.
10.37*	Employment Agreement, by and between Red Robin Gourmet Burgers, Inc. and Jyoti Lynch, dated April 3, 2023.
(10.38)*	Employment Agreement, by and between Red Robin Gourmet Burgers, Inc. and Kevin Mayer, dated April 20, 2023. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on May 24, 2023.
(10.39)*	Severance Agreement, by and between Red Robin Gourmet Burgers, Inc. and G. Wayne Davis, dated June 8, 2023. Incorporated by reference to Exhibit 10.1 to our amended Current Report on Form 8-K/A filed with the SEC on June 9, 2023.
(10.40)*	Red Robin Gourmet Burgers, Inc. Executive Severance Plan. Incorporated by reference to Exhibit 10.1 to our amended Current Report on Form 8-K filed on August 29, 2023.
21.1	List of Subsidiaries.
23.1	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer.
97.1	Red Robin Gourmet Burgers, Inc. Clawback Policy.
101	The following financial information from the Annual Report on Form 10-K of Red Robin Gourmet Burgers, Inc. for the year ended December 31, 2023, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2023 and December 25, 2022; (ii) Consolidated Statements of Operations for the years ended December 31, 2023, December 25, 2022, and December 26, 2021; (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2023, December 25, 2022, and December 26, 2021; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2023, December 25, 2022, and December 26, 2021; and (v) the Notes to Consolidated Financial Statements.

( ) Exhibits previously filed in the Company's periodic filings as specifically noted.

\* Executive compensation plans and arrangements.

## Item 16. Form 10-K Summary

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RED ROBIN GOURMET BURGERS, INC.  
(Registrant)

<u>February 28, 2024</u> (Date)	By:	<u>/s/ G. J. HART</u> G. J. Hart <i>(Chief Executive Officer)</i>
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Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ G. J. HART</u> G. J. Hart	President, Chief Executive Officer, and Director (Principal Executive Officer)	February 28, 2024
<u>/s/ TODD WILSON</u> Todd Wilson	Chief Financial Officer (Principal Financial Officer)	February 28, 2024
<u>/s/ ROBYN ARNELL BRENDEN</u> Robyn Arnell Brenden	Chief Accounting Officer (Principal Accounting Officer)	February 28, 2024
<u>/s/ DAVID A. PACE</u> David A. Pace	Chairperson of the Board	February 28, 2024
<u>/s/ TOM CONFORTI</u> Tom Conforti	Director	February 28, 2024
<u>/s/ CAMMIE W. DUNAWAY</u> Cammie W. Dunaway	Director	February 28, 2024
<u>/s/ NICOLE M. REGAN</u> Nicole M. Regan	Director	February 28, 2024
<u>/s/ ANDDRIA VARNADO</u> Anddria Varnado	Director	February 28, 2024
<u>/s/ STEVEN K. LUMPKIN</u> Steven K. Lumpkin	Director	February 28, 2024
<u>/s/ ANTHONY ACKIL</u> Anthony Ackil	Director	February 28, 2024
<u>/s/ ALLISON PAGE</u> Allison Page	Director	February 28, 2024