

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **April 21, 2019**

or

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

For the transition period from _____ to _____

Commission File Number: **001-34851**

RED ROBIN GOURMET BURGERS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

84-1573084

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

6312 S. Fiddler's Green Circle, Suite 200 N

Greenwood Village, CO

(Address of principal executive offices)

80111

(Zip Code)

(303) 846-6000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant 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, smaller reporting company, or an 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

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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)

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 28, 2019, there were 12,966,146 shares of the registrant's common stock, par value of \$0.001 per share outstanding.

RED ROBIN GOURMET BURGERS, INC.

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PART I — FINANCIAL INFORMATION

ITEM 1. Financial Statements (unaudited)

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

	(Unaudited)	
	April 21, 2019	December 30, 2018
Assets:		
Current assets:		
Cash and cash equivalents	\$ 22,959	\$ 18,569
Accounts receivable, net	12,626	25,034
Inventories	28,115	27,370
Prepaid expenses and other current assets	22,224	27,576
Total current assets	85,924	98,549
Property and equipment, net	541,161	565,142
Right of use assets, net	460,815	—
Goodwill	96,080	95,838
Intangible assets, net	33,287	34,609
Other assets, net	53,128	49,803
Total assets	\$ 1,270,395	\$ 843,941
Liabilities and stockholders' equity:		
Current liabilities:		
Accounts payable	\$ 33,783	\$ 39,024
Accrued payroll and payroll-related liabilities	40,051	37,922
Unearned revenue	41,239	55,360
Short-term portion of lease obligations	42,081	786
Accrued liabilities and other	38,423	38,057
Total current liabilities	195,577	171,149
Deferred rent	—	75,675
Long-term debt	183,375	193,375
Long-term portion of lease obligations	513,520	9,414
Other non-current liabilities	10,337	11,523
Total liabilities	902,809	461,136
Stockholders' equity:		
Common stock; \$0.001 par value: 45,000 shares authorized; 17,851 and 17,851 shares issued; 12,972 and 12,971 shares outstanding	18	18
Preferred stock, \$0.001 par value: 3,000 shares authorized; no shares issued and outstanding	—	—
Treasury stock 4,879 and 4,880 shares, at cost	(201,135)	(201,505)
Paid-in capital	212,025	212,752
Accumulated other comprehensive loss, net of tax	(5,130)	(4,801)
Retained earnings	361,808	376,341
Total stockholders' equity	367,586	382,805
Total liabilities and stockholders' equity	\$ 1,270,395	\$ 843,941

See Notes to Condensed Consolidated Financial Statements.

RED ROBIN GOURMET BURGERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)
(Unaudited)

	Sixteen Weeks Ended	
	April 21, 2019	April 22, 2018
Revenues:		
Restaurant revenue	\$ 400,484	\$ 414,702
Franchise and other revenues	9,382	6,817
Total revenues	409,866	421,519
Costs and expenses:		
Restaurant operating costs (excluding depreciation and amortization shown separately below):		
Cost of sales	93,715	98,515

Labor	142,894	143,015
Other operating	55,565	55,025
Occupancy	35,020	35,010
Depreciation and amortization	28,438	29,193
Selling, general, and administrative expenses	48,116	46,318
Pre-opening costs	319	1,137
Other charges	2,398	6,287
Total costs and expenses	<u>406,465</u>	<u>414,500</u>
Income from operations	3,401	7,019
Other expense:		
Interest expense, net and other	<u>3,238</u>	<u>3,407</u>
Income before income taxes	163	3,612
Income tax benefit	<u>(476)</u>	<u>(768)</u>
Net income	<u>\$ 639</u>	<u>\$ 4,380</u>
Earnings per share:		
Basic	<u>\$ 0.05</u>	<u>\$ 0.34</u>
Diluted	<u>\$ 0.05</u>	<u>\$ 0.34</u>
Weighted average shares outstanding:		
Basic	<u>12,967</u>	<u>12,960</u>
Diluted	<u>13,041</u>	<u>13,065</u>
Other comprehensive income:		
Foreign currency translation adjustment	<u>\$ (329)</u>	<u>\$ (273)</u>
Other comprehensive loss, net of tax	<u>(329)</u>	<u>(273)</u>
Total comprehensive income	<u>\$ 310</u>	<u>\$ 4,107</u>

See Notes to Condensed Consolidated Financial Statements.

RED ROBIN GOURMET BURGERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock		Treasury Stock		Paid-in Capital	Accumulated Other Comprehensive Loss, net of tax	Retained Earnings	Total
	Shares	Amount	Shares	Amount				
Balance, December 30, 2018	17,851	18	4,880	\$ (201,505)	\$ 212,752	\$ (4,801)	\$ 376,341	\$ 382,805
Exercise of options, issuance of restricted stock, shares exchanged for exercise and tax, and stock issued through employee stock purchase plan	—	—	(32)	1,344	(1,204)	—	—	140
Acquisition of treasury stock	—	—	31	(974)	—	—	—	(974)
Non-cash stock compensation	—	—	—	—	477	—	—	477
Net income	—	—	—	—	—	—	639	639
Other comprehensive income	—	—	—	—	—	(329)	—	(329)
Topic 842 transition impairment, net of tax	—	—	—	—	—	—	(15,172)	(15,172)
Balance, April 21, 2019	17,851	18	4,879	\$ (201,135)	\$ 212,025	\$ (5,130)	\$ 361,808	\$ 367,586

	Common Stock		Treasury Stock		Paid-in Capital	Accumulated Other Comprehensive Loss, net of tax	Retained Earnings	Total
	Shares	Amount	Shares	Amount				
Balance, December 31, 2017	17,851	18	4,897	\$ (202,485)	\$ 210,708	\$ (3,566)	\$ 382,760	\$ 387,435
Exercise of options, issuance of restricted stock, shares exchanged for exercise and tax, and stock issued through employee stock purchase plan	—	—	(26)	1,042	(1,167)	—	—	(125)
Non-cash stock compensation	—	—	—	—	1,287	—	—	1,287
Net income	—	—	—	—	—	—	4,380	4,380
Other comprehensive income	—	—	—	—	—	(273)	—	(273)
Balance, April 22, 2018	17,851	18	4,871	\$ (201,443)	\$ 210,828	\$ (3,839)	\$ 387,140	\$ 392,704

See Notes to Condensed Consolidated Financial Statements.

RED ROBIN GOURMET BURGERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Sixteen Weeks Ended	
	April 21, 2019	April 22, 2018
Cash flows from operating activities:		
Net income	\$ 639	\$ 4,380
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,438	29,193
Unpaid other charges	1,859	4,000
Stock-based compensation expense	475	1,287
Other, net	(4,269)	(1,941)
Changes in operating assets and liabilities:		
Accounts receivable	12,444	14,576
Prepaid expenses and other current assets	(1,952)	15,622
Trade accounts payable and accrued liabilities	(5,576)	1,187
Unearned revenue	(10,453)	(11,546)
Other operating assets and liabilities, net	3,686	287
Net cash provided by operating activities	<u>25,291</u>	<u>57,045</u>
Cash flows from investing activities:		
Purchases of property, equipment, and intangible assets	(10,195)	(15,874)
Proceeds from sales of real estate and property, plant, and equipment and other investing activities	118	115
Net cash used in investing activities	<u>(10,077)</u>	<u>(15,759)</u>
Cash flows from financing activities:		
Borrowings of long-term debt	111,000	69,000
Payments of long-term debt and finance leases	(121,239)	(104,183)
Purchase of treasury stock	(974)	—
Proceeds from exercise of stock options and employee stock purchase plan	368	295
Net cash used in financing activities	<u>(10,845)</u>	<u>(34,888)</u>
Effect of exchange rate changes on cash	21	(439)
Net change in cash and cash equivalents	4,390	5,959
Cash and cash equivalents, beginning of period	18,569	17,714
Cash and cash equivalents, end of period	<u>\$ 22,959</u>	<u>\$ 23,673</u>
Supplemental disclosure of cash flow information		
Income taxes paid	\$ 2,492	\$ 213
Interest paid, net of amounts capitalized	\$ 3,481	\$ 3,085
Change in construction related payables	\$ 635	\$ 1,151

See Notes to Condensed Consolidated Financial Statements.

RED ROBIN GOURMET BURGERS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation and Recent Accounting Pronouncements

Red Robin Gourmet Burgers, Inc., a Delaware corporation, together with its subsidiaries (“Red Robin” or the “Company”), primarily develops, operates, and franchises full-service restaurants in North America. As of April 21, 2019, the Company owned and operated 483 restaurants located in 39 states and two Canadian provinces. The Company also had 89 franchised full-service restaurants in 16 states as of April 21, 2019. The Company operates its business as one operating and one reportable segment.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Red Robin and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Company’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with GAAP 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 period. The results of operations for any interim period are not necessarily indicative of results for the full year.

The accompanying condensed consolidated financial statements of Red Robin have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”), including the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in the Company’s annual consolidated financial statements on Form 10-K have been condensed or omitted. The condensed consolidated balance sheet as of December 30, 2018 has been derived from the audited consolidated financial statements as of that date, but does not include all disclosures required for audited annual financial statements. For further information, please refer to and read these interim condensed consolidated financial statements in conjunction with the Company’s audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 30, 2018, filed with the SEC on February 27, 2019.

The Company’s quarter that ended April 21, 2019 is referred to as first quarter 2019, or the sixteen weeks ended April 21, 2019; the quarter ended April 22, 2018 is referred to as first quarter 2018, or the sixteen weeks ended April 22, 2018. The Company’s fiscal year 2019 comprises 52 weeks and will end on December 29, 2019.

Reclassifications

Certain amounts presented in prior periods have been reclassified to conform with the current period presentation. For the sixteen weeks ended April 22, 2018, the Company reclassified unfavorable lease rights of \$1.4 million from Deferred rent to Other non-current liabilities on the condensed consolidated statements of operations. Management believes this presentation better reflects the nature of these liabilities subsequent to the adoption of Topic 842, as defined below.

2. Revenue**Disaggregation of revenue**

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

	Sixteen Weeks Ended	
	April 21, 2019	April 22, 2018
Restaurant revenue	\$ 400,484	\$ 414,702
Franchise revenue	5,363	5,443
Other revenue	4,019	1,374
Total revenues	\$ 409,866	\$ 421,519

Contract liabilities

Unearned gift card revenue at April 21, 2019 and December 30, 2018 was \$30.9 million and \$45.3 million. Deferred loyalty revenue, which was also included in Unearned revenue in the accompanying condensed consolidated balance sheets, was \$10.3 million and \$10.0 million at April 21, 2019 and December 30, 2018.

Revenue recognized in the condensed consolidated statements of operations and comprehensive income 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):

	Sixteen Weeks Ended	
	April 21, 2019	April 22, 2018
Gift card revenue	\$ 16,097	\$ 13,988

3. Leases

Adoption of Financial Accounting Standards Board (“FASB”) ASU 2016-02

On January 1, 2019, we adopted ASU 2016-02, “Leases (Topic 842),” along with related clarifications and improvements using the modified retrospective approach without application to prior periods. This guidance requires the recognition of liabilities for lease obligations and corresponding right-of-use assets on the balance sheet and disclosure of key information about leasing arrangements. We applied the practical expedients that do not require us to reassess existing contracts for embedded leases, to separate lease and non-lease components for our population of operating assets, or to reassess lease classification or initial direct costs.

The effect of the changes made to our consolidated December 31, 2018 balance sheet as a result of the adoption of Topic 842 was as follows (in thousands):

	Balance at December 30, 2018	Adjustments due to Topic 842	Balance at December 31, 2018
Balance sheet			
Non-current assets			
Right of use assets, net	\$ —	\$ 478,268	\$ 478,268
Prepaid expenses and other current assets	27,576	(6,592)	20,984
Current liabilities			
Short-term portion of lease obligations	786	40,606	41,392
Non-current liabilities			
Deferred Rent	75,675	(75,675)	—
Long-term portion of lease obligations	9,414	506,745	516,159
Stockholders’ equity:			
Retained earnings	\$ 376,341	\$ (15,172)	\$ 361,169

This change did not have any impact on our consolidated statement of operations or consolidated statement of cash flows.

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 comparable company and credit analysis, prevailing financial market conditions, comparable company and credit analysis, as well as 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.

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Leases are included in Right of use assets, net, Short-term portion of lease obligations, and Long-term portion of lease liabilities on our condensed consolidated balance sheet as of April 21, 2019 as follows (in thousands):

	<u>Finance</u>	<u>Operating</u>	<u>Total</u>
Right of use assets, net	\$ 9,086	\$ 451,729	\$ 460,815
Short-term portion of lease obligations	914	41,167	42,081
Long-term portion of lease obligations	10,708	502,812	513,520
Total	<u>\$ 11,622</u>	<u>\$ 543,979</u>	<u>\$ 555,601</u>

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 greater than one month and 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.

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 condensed consolidated statement of operations are as follows (in thousands):

	<u>Sixteen Weeks Ended</u> <u>April 21, 2019</u>
Operating lease cost	\$ 23,672
Finance lease cost	
Amortization of right of use assets	248
Interest on lease liabilities	169
Total finance lease cost	<u>417</u>
Variable lease cost	8,885
Total	<u>\$ 32,974</u>

Maturities of our lease liabilities as of April 21, 2019 were as follows (in thousands):

	<u>Finance Leases</u>	<u>Operating Leases</u>	<u>Total</u>
Remainder of 2019	\$ 971	\$ 52,809	\$ 53,780
2020	1,396	78,749	80,145
2021	1,437	77,862	79,299
2022	1,283	75,093	76,376
2023	1,220	72,779	73,999
Thereafter	8,838	470,357	479,195
Total future lease liability	<u>15,145</u>	<u>827,649</u>	<u>842,794</u>
Less imputed interest	3,523	283,670	287,193
Fair value of lease liability	<u>\$ 11,622</u>	<u>\$ 543,979</u>	<u>\$ 555,601</u>

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As previously disclosed in our 2018 Annual Report on Form 10-K and under the previous lease accounting guidance, maturities of lease liabilities were as follows as of December 30, 2018 (in thousands):

	Capital Leases	Operating Leases
2019	\$ 1,234	\$ 80,367
2020	1,242	76,936
2021	1,240	70,419
2022	1,063	61,649
2023	1,019	54,121
Thereafter	7,552	206,879
Total	13,350	\$ 550,371
Less amount representing interest	(3,150)	
Present value of future minimum lease payments	10,200	
Less current portion	(786)	
Long-term capital lease obligations	\$ 9,414	

Supplemental cash flow information related to leases is as follows:

	Sixteen Weeks Ended April 21, 2019	
Cash paid for amounts included in the measurement of lease liabilities (in thousands):	\$	20,148
Right of use assets obtained in exchange for operating lease obligations following the adoption of topic 842 (in thousands):	\$	4,325
Right of use assets obtained in exchange for finance lease obligations following the adoption of topic 842 (in thousands):	\$	1,669

Other information related to operating leases as follows:

Weighted average remaining lease term	11 years
Weighted average discount rate	7.34 %

Other information related to financing leases as follows:

Weighted average remaining lease term	12 years
Weighted average discount rate	4.77 %

4. Goodwill and Intangible Assets

The following table presents goodwill as of April 21, 2019 and December 30, 2018 (in thousands):

Balance, December 30, 2018	\$ 95,838
Foreign currency translation adjustment	242
Balance, April 21, 2019	\$ 96,080

The Company recorded no goodwill impairment losses in the period presented in the table above or any prior periods.

The following table presents intangible assets as of April 21, 2019 and December 30, 2018 (in thousands):

	April 21, 2019			December 30, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Franchise rights	\$ 54,413	\$ (34,239)	\$ 20,174	\$ 54,404	\$ (33,160)	\$ 21,244
Favorable leases	13,001	(8,338)	4,663	13,001	(8,136)	4,865
Liquor licenses and other	10,810	(9,820)	990	10,810	(9,770)	1,040
	<u>\$ 78,224</u>	<u>\$ (52,397)</u>	<u>\$ 25,827</u>	<u>\$ 78,215</u>	<u>\$ (51,066)</u>	<u>\$ 27,149</u>
Indefinite-lived intangible assets:						
Liquor licenses and other	\$ 7,460	\$ —	\$ 7,460	\$ 7,460	\$ —	\$ 7,460
Intangible assets, net	<u>\$ 85,684</u>	<u>\$ (52,397)</u>	<u>\$ 33,287</u>	<u>\$ 85,675</u>	<u>\$ (51,066)</u>	<u>\$ 34,609</u>

There were no impairments to intangible assets during the sixteen weeks ended April 21, 2019.

5. Earnings Per Share

Basic earnings per share amounts are calculated by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share amounts are calculated based upon the weighted-average number of shares of common stock and potentially dilutive shares of common stock outstanding during the period. Potentially dilutive shares are excluded from the computation in periods in which they have an anti-dilutive effect. Diluted earnings per share reflect the potential dilution that could occur if holders of options exercised their options into common stock.

The Company uses the treasury stock method to calculate the effect of outstanding stock options. Basic weighted average shares outstanding is reconciled to diluted weighted average shares outstanding as follows (in thousands):

	Sixteen Weeks Ended	
	April 21, 2019	April 22, 2018
Basic weighted average shares outstanding	12,967	12,960
Dilutive effect of stock options and awards	74	105
Diluted weighted average shares outstanding	<u>13,041</u>	<u>13,065</u>
Awards excluded due to anti-dilutive effect on diluted earnings per share	<u>487</u>	<u>279</u>

6. Other Charges

Other charges consist of the following (in thousands):

	Sixteen Weeks Ended	
	April 21, 2019	April 22, 2018
Executive transition and severance	\$ 1,994	\$ —
Litigation contingencies	—	4,000
Restaurant closure costs	304	—
Reorganization costs	—	2,287
Executive retention	100	—
Other charges	\$ 2,398	\$ 6,287

In first quarter 2019, the Company recorded \$2.0 million in costs related to executive transition and severance, \$0.3 million related to costs for restaurants that were previously closed, and \$0.1 million in executive retention. In first quarter 2018, the Company recorded \$4.0 million of litigation contingencies for employment-related claims and \$2.3 million in costs related to reorganization.

7. Borrowings

Long-term debt as of April 21, 2019 and December 30, 2018 was \$183.4 million and \$193.4 million.

On June 30, 2016, the Company entered into a credit facility (the "Credit Facility"), which provides for a \$400 million revolving line of credit with a sublimit for the issuance of up to \$25 million in letters of credit and swingline loans up to \$15 million.

The Credit Facility matures on June 30, 2021. As of April 21, 2019, the Company had outstanding borrowings under the Credit Facility of \$182.5 million, in addition to amounts issued under letters of credit of \$7.4 million, which reduced the amount available under the facility but were not recorded as debt. As of December 30, 2018, the Company had outstanding borrowings under the Credit Facility of \$192.5 million, in addition to amounts issued under letters of credit of \$7.8 million.

Loan origination costs associated with the Credit Facility are included as deferred costs in Other assets, net in the accompanying condensed consolidated balance sheets. Unamortized debt issuance costs were \$1.5 million and \$1.7 million as of April 21, 2019 and December 30, 2018.

8. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

The following tables present the Company's assets measured at fair value on a recurring basis as of April 21, 2019 and December 30, 2018 (in thousands):

	April 21, 2019	Level 1	Level 2	Level 3
Assets:				
Investments in rabbi trust	\$ 7,092	\$ 7,092	\$ —	\$ —
Total assets measured at fair value	<u>\$ 7,092</u>	<u>\$ 7,092</u>	<u>\$ —</u>	<u>\$ —</u>

	December 30, 2018	Level 1	Level 2	Level 3
Assets:				
Investments in rabbi trust	\$ 8,198	\$ 8,198	\$ —	\$ —
Total assets measured at fair value	<u>\$ 8,198</u>	<u>\$ 8,198</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, goodwill, and other intangible assets. These assets are measured at fair value if determined to be impaired.

As of April 21, 2019, in conjunction with our adoption of Topic 842, the Company identified 11 previously fully impaired restaurants where the carrying value of the right of use asset exceeded the fair value, and recognized a non-cash impairment charge of \$15.2 million, net of tax benefit, to our opening right of use asset balance and retained earnings balance. Refer to Note 3, *Leases*.

The Company recognized the impairment charges resulting from the continuing and projected future results of these restaurants, primarily through projected cash flows. The fair value measurement for asset impairment is based on significant inputs not observed in the market and thus represents a level 3 fair value measurement. Each restaurant's past and present operating performance was reviewed in combination with projected future results, primarily through projected undiscounted cash flows. The Company compared the carrying amount of each restaurant's assets to its fair value as estimated by management. The fair value of the long-lived assets is generally determined using a discounted cash flow projection model. In certain cases, management uses other market information, when available, to estimate the fair value of a restaurant. The impairment charges represent the excess of each restaurant's carrying amount over its estimated fair value.

Disclosures of Fair Value of Other Assets and Liabilities

The Company's liabilities under its Credit Facility and finance leases are carried at historical cost in the accompanying condensed consolidated balance sheets. Both the Credit Facility and the Company's finance lease obligations are measured using level 2 inputs. The carrying value of the Credit Facility approximates fair value as the interest rate on this instrument approximates current market rates. For disclosure purposes, the Company estimated the fair value of the finance lease obligations using discounted cash flow analysis based on market rates obtained from independent third parties for similar types of debt.

The following table presents the carrying value and estimated fair value of the Company's finance lease obligations as of April 21, 2019 and December 30, 2018 (in thousands):

	April 21, 2019		December 30, 2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Finance lease obligations	\$ 11,630	\$ 11,202	\$ 10,200	\$ 10,143

9. Commitments and Contingencies

In the normal course of business, there are various claims in process, matters in litigation, and other contingencies. These include employment-related claims and claims alleging illness, injury, or other food quality, health, or operational issues.

Evaluating contingencies related to litigation is a complex process involving subjective judgment on the potential outcome of future events, and the ultimate resolution of litigated claims may differ from our current analysis. We review the adequacy of accruals and disclosures pertaining to litigation matters 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. While it is not possible to predict the outcome of these claims with certainty, management is of the opinion that adequate provision for potential losses associated with these matters has been made in the condensed consolidated financial statements.

During the sixteen weeks ended April 22, 2018, the Company recorded \$4.0 million of litigation contingencies for employment-related claims.

ITEM 2. 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 condensed consolidated financial statements. All comparisons under this heading between 2019 and 2018 refer to the sixteen-week periods ending April 21, 2019 and April 22, 2018, unless otherwise indicated.

Overview

Red Robin Gourmet Burgers, Inc., a Delaware corporation, together with its subsidiaries ("Red Robin," "we," "us," "our" or the "Company"), primarily develops, operates, and franchises full-service restaurants with 572 locations in North America. As of April 21, 2019, the Company operated 483 Company-owned restaurants located in 39 states and two Canadian provinces. The Company also had 89 franchised full-service restaurants in 16 states as of April 21, 2019. The Company operates its business as one operating and one reportable segment.

The following summarizes the operational and financial highlights during the sixteen weeks ended April 21, 2019:

- *Financial performance.*
 - Restaurant revenue decreased \$14.2 million, or 3.4%, to \$400.5 million for the sixteen weeks ended April 21, 2019, as compared to the sixteen weeks ended April 22, 2018, due to a \$13.5 million, or 3.3%, decrease in comparable restaurant revenue, a \$2.2 million decrease from closed restaurants, and a \$0.6 million unfavorable foreign currency exchange impact, offset by a \$2.1 million increase in revenue from newly opened restaurants.
 - Restaurant operating costs, as a percentage of restaurant revenue, increased 170 basis points to 81.7% for the sixteen weeks ended April 21, 2019, as compared to 80.0% for the sixteen weeks ended April 22, 2018. The increase was due to higher labor costs, other operating costs, and occupancy costs, offset by a decrease in food and beverage costs as a percentage of restaurant revenue.
 - Net income was \$0.6 million for the sixteen weeks ended April 21, 2019 compared to \$4.4 million net income for the sixteen weeks ended April 22, 2018. Diluted earnings per share were \$0.05 for the sixteen weeks ended April 21, 2019, as compared to diluted earnings per share of \$0.34 for the sixteen weeks ended April 22, 2018. Excluding the impact of \$0.11 per diluted share related to executive transition and severance, \$0.02 per diluted share for costs related to previously closed restaurants, and \$0.01 per diluted share for executive retention, net income per diluted share for the sixteen weeks ended April 21, 2019 was \$0.19. Excluding the impact of \$0.22 per diluted share related to litigation contingencies and \$0.13 related to reorganization costs, net income per diluted share for the sixteen weeks ended April 22, 2018 was \$0.69. The Company believes the presentation of net income and earnings per share exclusive of the identified item gives the reader additional insight into the ongoing operational results of the Company.
- *Marketing.* Our Red Robin Royalty™ loyalty program operates in all our U.S. and Canadian Company-owned Red Robin restaurants and has been rolled out to most of our franchised restaurants. We engage our guests through Red Robin Royalty with offers designed to increase frequency of visits as a key part of our overall marketing strategy. We also inform enrolled guests early about new menu items to generate awareness and trial of these offerings. Our media buying approach is concentrated on generating significant reach and frequency while on-air. In addition, we use digital, social, and earned media to target and more effectively reach specific segments of our guest base.

Restaurant Data

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

	Sixteen Weeks Ended	
	April 21, 2019	April 22, 2018
Company-owned:		
Beginning of period	484	480
Opened during the period	—	4
Closed during the period	(1)	—
End of period	483	484
Franchised:		
Beginning of period	89	86
Opened during the period	—	1
End of period	89	87
Total number of restaurants	572	571

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.

This information has been prepared on a basis consistent with our audited 2018 annual financial statements, and, in the opinion of management, includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information for the periods presented. Our operating results may fluctuate significantly as a result of a variety of factors, and operating results for any period presented are not necessarily indicative of results for a full fiscal year.

	Sixteen Weeks Ended	
	April 21, 2019	April 22, 2018
Revenues:		
Restaurant revenue	97.7 %	98.4 %
Franchise royalties, fees, and other revenues	2.3	1.6
Total revenues	100.0	100.0
Costs and expenses:		
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):		
Cost of sales	23.4	23.8
Labor	35.7	34.5
Other operating	13.9	13.3
Occupancy	8.7	8.4
Total restaurant operating costs	81.7	80.0
Depreciation and amortization	6.9	6.9
Selling, general, and administrative	11.7	11.0
Pre-opening costs	0.1	0.3
Other charges	0.6	1.5
Income from operations	0.8	1.7
Interest expense, net and other	0.8	0.8
Income before income taxes	—	0.9
Income tax benefit	(0.1)	(0.2)
Net income	0.2 %	1.0 %

Certain percentage 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.

Revenues

(Revenues in thousands)	Sixteen Weeks Ended		
	April 21, 2019	April 22, 2018	Percent Change
Restaurant revenue	\$ 400,484	\$ 414,702	(3.4)%
Franchise and other revenue	9,382	6,817	37.6 %
Total revenues	\$ 409,866	\$ 421,519	(2.8)%
Average weekly sales volumes in Company-owned restaurants ⁽¹⁾	\$ 51,802	\$ 53,618	(3.4)%
Total operating weeks	7,731	7,722	0.1 %
Restaurant revenue per square foot	\$ 133	\$ 139	(4.3)%

(1) Calculated using constant currency rates. Using historical currency rates, the average weekly sales per unit for the sixteen weeks ended April 22, 2018 for Company-owned restaurants was \$53,704. The Company calculates non-GAAP constant currency average weekly sales per unit by translating prior year local currency average weekly sales per unit to U.S. dollars based on current quarter average exchange rates. The Company considers non-GAAP constant currency average weekly sales per unit to be a useful metric to investors and management as they facilitate a more useful comparison of current performance to historical performance.

Restaurant revenue for the sixteen weeks ended April 21, 2019, which comprises primarily food and beverage sales, decreased \$14.2 million, or 3.4%, as compared to first quarter 2018. The decrease was due to a \$13.5 million, or 3.3% decrease in comparable restaurant revenue, a \$2.2 million decrease from closed restaurants, and a \$0.6 million unfavorable foreign currency exchange impact, offset by a \$2.1 million increase in revenue from newly opened restaurants. The comparable restaurant revenue decrease was driven by a 5.5% decrease in guest counts offset by a 2.2% increase in average guest check. The increase in average guest check resulted from a 0.9% increase in pricing and a 0.3% increase in menu mix. The increase in menu mix is the result of a decrease in Tavern burger mix year over year as well as an increase in entrée mix. We are focusing on opportunities to improve our service execution, which we believe will drive increased guest counts and comparable restaurant revenue.

Average weekly 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 at the end of each period presented. New restaurants are restaurants that are open but not included in the comparable category because they have not operated for five full quarters. 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 and acquired restaurants during the period and the average square footage of our restaurants.

Franchise and other revenue increased \$2.6 million for the sixteen weeks ended April 21, 2019 compared to the sixteen weeks ended April 22, 2018, primarily due to an increase in gift card breakage. Our franchisees reported a comparable restaurant revenue decrease of 1.8% for the sixteen weeks ended April 21, 2019 compared to the sixteen weeks ended April 22, 2018.

Cost of Sales

(In thousands, except percentages)	Sixteen Weeks Ended		
	April 21, 2019	April 22, 2018	Percent Change
Cost of sales	\$ 93,715	\$ 98,515	(4.9)%
As a percent of restaurant revenue	23.4%	23.8%	(0.4)%

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 40 basis points for the sixteen weeks ended April 21, 2019 as compared to the same period in 2018. The decrease was mainly driven by reduction in waste and lower Tavern mix.

Labor

<u>(In thousands, except percentages)</u>	Sixteen Weeks Ended		
	April 21, 2019	April 22, 2018	Percent Change
Labor	\$ 142,894	\$ 143,015	(0.1)%
As a percent of restaurant revenue	35.7%	34.5%	1.2 %

Labor costs include restaurant-level hourly wages and management salaries as well as related taxes and benefits. For the sixteen weeks ended April 21, 2019, labor as a percentage of restaurant revenue increased 120 basis points compared to the same period in 2018. The increase was primarily driven by increases in minimum wage rates in certain jurisdictions, increased management headcount to allow our restaurants to become fully staffed in support of our focus on operational execution, and sales deleverage.

Other Operating

<u>(In thousands, except percentages)</u>	Sixteen Weeks Ended		
	April 21, 2019	April 22, 2018	Percent Change
Other operating	\$ 55,565	\$ 55,025	1.0%
As a percent of restaurant revenue	13.9%	13.3%	0.6%

Other operating costs include costs such as equipment repairs and maintenance costs, restaurant supplies, utilities, restaurant technology, and other miscellaneous costs. For the sixteen weeks ended April 21, 2019, other operating costs as a percentage of restaurant revenue increased 60 basis points as compared to the same period in 2018. The increase was primarily due to higher costs of third-party delivery fees and equipment repairs and maintenance.

Occupancy

<u>(In thousands, except percentages)</u>	Sixteen Weeks Ended		
	April 21, 2019	April 22, 2018	Percent Change
Occupancy	\$ 35,020	\$ 35,010	—%
As a percent of restaurant revenue	8.7%	8.4%	0.3%

Occupancy costs include fixed rents, property taxes, common area maintenance charges, general liability insurance, contingent rents, and other property costs. Occupancy costs incurred prior to opening our new restaurants are included in pre-opening costs. For the sixteen weeks ended April 21, 2019, occupancy costs as a percentage of restaurant revenue increased 30 basis points over the prior year, primarily driven by sales deleverage. Our fixed rents for the sixteen weeks ended April 21, 2019 and April 22, 2018 were \$23.2 million and \$23.5 million.

Depreciation and Amortization

<u>(In thousands, except percentages)</u>	Sixteen Weeks Ended		
	April 21, 2019	April 22, 2018	Percent Change
Depreciation and amortization	\$ 28,438	\$ 29,193	(2.6)%
As a percent of total revenues	6.9%	6.9%	— %

Depreciation and amortization includes depreciation on capital expenditures for restaurants and corporate assets as well as amortization of acquired franchise rights, leasehold interests, and certain liquor licenses. For the sixteen weeks ended April 21, 2019, depreciation and amortization expense as a percentage of revenue remained flat over the prior year.

Selling, General, and Administrative

<u>(In thousands, except percentages)</u>	Sixteen Weeks Ended		
	April 21, 2019	April 22, 2018	Percent Change
Selling, general, and administrative	\$ 48,116	\$ 46,318	3.9%
As a percent of total revenues	11.7%	11.0%	0.7%

Selling, general, and administrative costs include all corporate and administrative functions. Components of this category include marketing and advertising costs; corporate, 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 costs in the sixteen weeks ended April 21, 2019 increased \$1.8 million, or 3.9% as compared to the same period in 2018. The increase was primarily due to increases in professional services, travel expenses related to training of managers, and salaries, offset by lower incentive and equity compensation.

Pre-opening Costs

<u>(In thousands, except percentages)</u>	Sixteen Weeks Ended		
	April 21, 2019	April 22, 2018	Percent Change
Pre-opening costs	\$ 319	\$ 1,137	(71.9)%
As a percent of total revenues	0.1%	0.3%	(0.2)%

Pre-opening costs, which are expensed as incurred, comprise the costs of labor, hiring, and training the initial work force for our new restaurants and new initiatives; occupancy costs incurred prior to opening; travel expenses for our training teams; the cost of food and beverages used in training; licenses and marketing; supply costs; and other direct costs related to the opening of new restaurants. Our pre-opening costs fluctuate from period to period, depending upon, but not limited to, the number of restaurant openings, the size of the restaurants being opened, and the location of the restaurants. Pre-opening costs for any given quarter will typically include expenses associated with restaurants opened during the quarter as well as expenses related to restaurants opening in subsequent quarters.

Pre-opening costs decreased \$0.8 million for the sixteen weeks ended April 21, 2019. The decrease was primarily due to fewer openings during the sixteen week period ended April 21, 2019 as compared to the same period in 2018.

Interest Expense, Net and Other

Interest expense, net and other was \$3.2 million for the sixteen weeks ended April 21, 2019, a decrease of \$0.2 million, or 5.0%, from the same period in 2018. The decrease was primarily related to recognizing a gain on the Company's deferred compensation plan assets during first quarter 2019 compared to a loss the same period a year ago. Our weighted average interest rate was 5.0% for the sixteen weeks ended April 21, 2019, as compared to 4.1% for the sixteen weeks ended April 22, 2018.

Provision for Income Taxes

The effective tax rate for the sixteen weeks ended April 21, 2019 was a 291.4% benefit, compared to a 21.2% benefit for the sixteen weeks ended April 22, 2018. The change in the effective tax rate is primarily due to the decrease in income in the first quarter of 2019 compared to the same period a year ago.

Liquidity and Capital Resources

Cash and cash equivalents increased \$4.4 million to \$23.0 million at April 21, 2019, from \$18.6 million at the beginning of the fiscal year. We expect to continue to reinvest available cash flows from operations to pay down debt, maintain existing restaurants and infrastructure, execute our long-term strategic initiatives, and repurchase our common stock.

Cash Flows

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

	Sixteen Weeks Ended	
	April 21, 2019	April 22, 2018
Net cash provided by operating activities	\$ 25,291	\$ 57,045
Net cash used in investing activities	(10,077)	(15,759)
Net cash used in financing activities	(10,845)	(34,888)
Effect of exchange rate changes on cash	21	(439)
Net change in cash and cash equivalents	<u>\$ 4,390</u>	<u>\$ 5,959</u>

Operating Cash Flows

Net cash flows provided by operating activities decreased \$31.8 million to \$25.3 million for the sixteen weeks ended April 21, 2019. The decrease was primarily driven by a \$14.6 million increase in payments to vendors, a \$9.6 million decrease in profit from operations, a \$5.4 million decrease in vendor deposit received, a \$2.7 million increase in prepaid expenses and a \$2.3 million increase in income tax payments, partially offset by a \$4.9 million decrease in bonus payout.

Investing Cash Flows

Net cash flows used in investing activities decreased \$5.7 million to \$10.1 million for the sixteen weeks ended April 21, 2019, as compared to \$15.8 million for the same period in 2018. The decrease is primarily due to decreased investment in new restaurant openings.

The following table lists the components of our capital expenditures, net of currency translation effect, for the sixteen weeks ended April 21, 2019 (in thousands):

	Sixteen Weeks Ended April 22, 2019	
Restaurant maintenance capital	\$	4,819
Investment in technology infrastructure		4,538
New restaurants		838
Total capital expenditures	<u>\$</u>	<u>10,195</u>

Financing Cash Flows

Cash used in financing activities decreased \$24.0 million to \$10.8 million for the sixteen weeks ended April 21, 2019, as compared to the same period in 2018. The decrease primarily resulted from a \$24.9 million decrease in net repayments made on long-term debt and a \$0.1 million decrease in net cash proceeds received from the exercise of employee stock options and purchase plan, offset by \$1.0 million of cash used to repurchase the Company's common stock.

Credit Facility

On June 30, 2016, the Company entered into a credit facility (the "Credit Facility"), which provides for a \$400 million revolving line of credit with a sublimit for the issuance of up to \$25 million in letters of credit and swingline loans up to \$15 million.

The Credit Facility matures on June 30, 2021. Borrowings under the Credit Facility are secured by first priority liens and security interests in substantially all of the Company's assets, including the capital stock of certain Company subsidiaries. Borrowings are available for financing activities including restaurant construction costs, working capital, and general corporate purposes, including, among other uses, to refinance certain indebtedness, permitted acquisitions, and redemption of capital stock. We do not believe any of our lenders will be unable to fulfill their lending commitments under our Credit Facility. Loan origination costs associated with the Credit Facility are included as deferred costs in Other assets, net in the accompanying condensed consolidated balance sheets. As of April 21, 2019, the Company had outstanding borrowings under the Credit

Facility of \$182.5 million, in addition to amounts issued under letters of credit of \$7.4 million, which reduce the amount available under the Credit Facility but are not recorded as debt.

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 of April 21, 2019, we were in compliance with all debt covenants.

Debt Outstanding. Total debt outstanding decreased \$10.0 million to \$183.4 million at April 21, 2019, from \$193.4 million at December 30, 2018, due to net repayments of \$10.0 million on the Credit Facility during the sixteen weeks ended April 21, 2019.

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 will be sufficient to satisfy any working capital deficits and our planned capital expenditures.

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 was effective as of August 9, 2018, and 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.

Inflation

The primary inflationary factors affecting our operations are food, labor costs, energy costs, and materials used in the construction of new restaurants. A large number of our restaurant personnel are paid at rates based on the applicable minimum wage, and increases in the minimum wage rates have directly affected our labor costs in recent years. Many of our leases require us to pay taxes, maintenance, repairs, insurance, and utilities, all of which are generally subject to inflationary increases. We believe labor cost inflation had a negative impact on our financial condition and results of operations during the sixteen weeks ended April 21, 2019. Uncertainties related to fluctuations in costs, including energy costs, commodity prices, annual indexed or potential minimum wage increases, and construction materials make it difficult to predict what impact, if any, inflation may continue to have on our business, but it is anticipated inflation will have a negative impact on labor costs for the remainder of 2019.

Seasonality

Our business is subject to seasonal fluctuations. Historically, sales in most of our restaurants have been higher during the summer months and winter holiday season and lower during the fall season. As a result, our quarterly and annual operating results and comparable restaurant revenue may fluctuate significantly as a result of seasonality. 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.

Contractual Obligations

There were no material changes outside the ordinary course of business to our contractual obligations since the filing of Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2018.

Critical Accounting Policies and Estimates

Critical accounting policies and 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 had no significant changes in our critical accounting policies and estimates which were disclosed in our Annual Report on Form 10-K for the fiscal year ended December 30, 2018.

Recently Issued and Recently Adopted Accounting Standards

See Note 1, *Basis of Presentation and Recent Accounting Pronouncements*, of Notes to Condensed Consolidated Financial Statements of this report.

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, and Section 21E of the Securities Exchange Act of 1934, as amended. This statement is included for purposes of complying with the safe harbor provisions of the PSLRA. 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,” “estimate,” “could,” “expect,” “future,” “intend,” “may,” “plan,” “project,” “will,” “would,” and similar expressions. Certain forward-looking statements are included in this Quarterly Report on Form 10-Q, principally in the sections captioned “Financial Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Forward-looking statements in this report include, among other things: our financial performance, strategic initiatives, marketing strategy and promotions; expected uses for available cash flow; capital investments; beliefs about the ability of our lenders to fulfill their lending commitments under our Credit Facility and about the sufficiency of future cash flows to satisfy any working capital deficit and planned capital expenditures; the anticipated effects of inflation on labor and commodity costs; and the effect of the adoption of new accounting standards on our financial and accounting systems.

Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those we express in these forward-looking statements. These risks and uncertainties include, but are not limited to, the following: the effectiveness of our business strategy and improvement initiatives, including the effectiveness of our affordability, service improvement, technology, and off-premise initiatives to drive traffic and sales; the effectiveness of our marketing campaigns; our ability to effectively use and monitor social media; uncertainty regarding general economic and industry conditions; concentration of restaurants in certain markets and lack of market awareness in new markets; changes in consumer disposable income, consumer spending trends and habits; the effectiveness of our information technology and new technology systems, including cyber security with respect to those systems; regional mall and lifestyle center traffic trends or other trends affecting traffic at our restaurants; increased competition and discounting in the casual-dining restaurant market; costs and availability of food and beverage inventory; changes in commodity prices, particularly ground beef; changes in energy and labor costs, including due to changes in health care and market wage levels; the success of our refranchising efforts; changes in federal, state, or local laws and regulations affecting the operation of our restaurants, including but not limited to, minimum wages, consumer health and safety, health insurance coverage, nutritional disclosures, and employment eligibility-related documentation requirements; limitations on our ability to execute stock repurchases at all or at the times or in the amounts we currently anticipate due to lack of available share or acceptable stock price levels or other market or Company-specific conditions, or to otherwise achieve anticipated benefits of a share repurchase program; our ability to attract and retain qualified managers and Team Members; the adequacy of cash flows or available access to capital or debit resources under our Credit Facility or otherwise to fund operations and growth opportunities; costs and other effects of legal claims by team members, franchisees, customers, vendors, stockholders, including relating to fluctuations in our stock price, and others, including settlement of those claims or negative publicity regarding food safety or cyber security; weather conditions and related events in regions where our restaurants are operated; changes in accounting standards policies and practices or related interpretations by auditors or regulatory entities; and other risk factors described from time to time in our SEC reports, including the Company’s most recent Annual Report on Form 10-K for the fiscal year ended December 30, 2018, filed with the SEC on February 27, 2019.

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. 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 arising after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the interest rate risk, foreign currency exchange risk, or commodity price risk since the filing of the Company’s Annual Report on Form 10-K for the fiscal year ended December 30, 2018.

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. As of April 21, 2019, we had \$182.5 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 \$1.8 million on an annualized basis.

The Company's restaurant menus are highly dependent upon a few select commodities, including ground beef, poultry, and potatoes. We may or may not have the ability to increase menu prices, or vary menu items, in response to food commodity price increases. A 1.0% increase in food costs would negatively impact cost of sales by approximately \$3.1 million on an annualized basis.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the management of the Company ("Management"), including the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, Management recognizes that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives. The Company's CEO and CFO have concluded that, based upon the evaluation of disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act), the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

During the quarter ended April 21, 2019, we implemented controls to ensure we adequately evaluated our contracts and properly assessed the impact of the new lease accounting standard on our financial statements to facilitate adoption of the standard on December 31, 2018.

There were no other 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 are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. Legal Proceedings

For a description of our legal proceedings, see Note 9, *Commitments and Contingencies*, of Notes to Condensed Consolidated Financial Statements of this report.

ITEM 1A. Risk Factors

A description of the risk factors associated with our business is contained in Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the fiscal year ended December 30, 2018 filed with the SEC on February 27, 2019. There have been no material changes to our Risk Factors disclosed in our 2018 Annual Report on Form 10-K.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the sixteen weeks ended April 21, 2019, the Company did not have any sales of securities in transactions that were not registered under the Securities Act of 1933, as amended, that have not been reported in a Current Report on Form 8-K. 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 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 and may include transactions pursuant to a repurchase plan administered in accordance with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended. 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. The table below provides a summary of the Company's purchases of its own common stock during the first quarter of 2019.

Period ⁽¹⁾	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plan (in thousands)
12/31/18-1/27/19	10,800	\$ 31.12	53,400	\$ 73,190
1/28/19-2/24/19	11,400	32.81	64,800	72,815
2/25/19-3/24/19	9,000	29.31	73,800	72,552
Pursuant to Publicly Announced Plans or Programs ⁽²⁾	31,200			

(1) The reported periods conform to the Company's fiscal calendar composed of thirteen 28-day periods.

(2) Since August 9, 2018, when the current share repurchase program of \$75 million of the Company's common stock was authorized, the Company has purchased 73,800 shares for a total of \$2.4 million.

ITEM 6. Exhibits

Exhibit Number	Description
10.1	Retirement Agreement by and between Red Robin Gourmet Burgers, Inc. and Denny Marie Post, dated April 3, 2019.
10.2	Form of Retention Bonus Letter by and between Red Robin Gourmet Burgers, Inc. and certain officers identified in footnote 1 thereof.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer
101	The following financial information from the Quarterly Report on Form 10-Q of Red Robin Gourmet Burgers, Inc. for the quarter ended April 21, 2019 formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at April 21, 2019 and December 30, 2018; (ii) Condensed Consolidated Statements of Operations and Comprehensive Income for the sixteen weeks ended April 21, 2019 and April 22, 2018; (iii) Condensed Consolidated Statements of Stockholders' Equity at April 21, 2019 and December 30, 2018; (iv) Condensed Consolidated Statements of Cash Flows for the sixteen weeks ended April 21, 2019 and April 22, 2018; and (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.

SIGNATURE

Pursuant to the requirements 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.

May 30, 2019

(Date)

RED ROBIN GOURMET BURGERS, INC.
(Registrant)

By:

/s/ Lynn S. Schweinfurth
Lynn S. Schweinfurth
(Chief Financial Officer)

RETIREMENT AGREEMENT

This Retirement Agreement (the “Agreement”) is dated as of April 3, 2019, by and among Red Robin Gourmet Burgers, Inc., a Delaware corporation (the “Company”), and Denny Marie Post (the “Executive”).

WHEREAS, the Executive is employed by the Company, through its wholly owned subsidiary, Red Robin International, Inc., a Nevada corporation (“RRI”), and is a party to that certain Second Amended & Restated Employment Agreement, dated as of August 20, 2018 (as amended, modified, or supplemented from time to time, the “Employment Agreement”);

WHEREAS, the Executive serves the Company, RRI, and their respective subsidiaries and affiliates (the “Company Group”) in the offices of President and Chief Executive Officer and also serves as a member of the board of directors of the Company (the “Board”);

WHEREAS, the Company and the Executive have agreed that the Executive’s employment with the Company is scheduled to terminate effective as of April 3, 2019 (the “Retirement Date”);

WHEREAS, on the Retirement Date, the Executive shall resign as President and Chief Executive Officer of the Company and shall cease to be an executive officer and employee of the Company Group;

WHEREAS, the Company wishes to provide the Executive with a retirement package, which is conditioned on the Executive’s timely, irrevocable execution of this Agreement and fulfilling all of her obligations in both the Employment Agreement, as applicable, and this Agreement, and including her continued compliance with certain restrictive covenants that survive her employment termination; and

WHEREAS, the Parties desire to set forth in this Agreement the terms and conditions of the Executive’s termination from employment, and this Agreement shall govern the Executive’s and the Company’s respective rights and obligations in connection with such termination.

NOW THEREFORE, in consideration of the promises, mutual covenants and other good and valuable consideration set forth in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the Executive and the Company (the “Parties”) agree as follows:

1. Entire Agreement.

Except as otherwise expressly provided herein, this Agreement, and the release set forth in Section 7 of this Agreement, is the entire agreement between the Parties with respect to the

subject matter hereof and contains all agreements, whether written, oral, express, or implied, between the Parties relating thereto and supersedes and extinguishes all other agreements relating thereto, whether written, oral, express, or implied, between the Parties.

2. Termination of Employment.

A. *General.* The Executive hereby acknowledges and agrees that her separation from service with the Company Group and her resignation from any and all titles, positions, and appointments the Executive holds with the Company or any member of the Company Group, whether as an officer, director, employee, consultant, trustee, committee member, agent, or otherwise, will become effective as of the Retirement Date. Except as otherwise expressly set forth herein, effective as of the Retirement Date, the Executive shall have no authority to act on behalf of any member of the Company Group and shall not hold herself out as having such authority, enter into any agreement or incur any obligations on behalf of any member of the Company Group, commit any member of the Company Group in any manner, or otherwise act in an executive or other decision-making capacity with respect to any member of the Company Group. The Executive agrees to promptly execute such documents as the Company, in its sole discretion, shall reasonably deem necessary to effect such resignations. The Retirement Date shall be the termination date of the Executive's employment for purposes of participation in and coverage under all benefit plans and programs sponsored by or through the Company, except as otherwise provided herein. For the avoidance of doubt, the Retirement Date will be the last day of the Employment Period (as defined in the Employment Agreement).

3. Entitlements.

In consideration for, and subject to, the Executive's entering into this Agreement, the Executive shall be entitled to the payments and benefits set forth in this Agreement. Notwithstanding the foregoing or anything to the contrary in this Agreement, the payments and benefits described in this Agreement (other than those described in Section 3.A) are subject to (i) the Executive's execution and delivery of this Agreement within twenty-one (21) days following the date hereof, (ii) the Executive's continued compliance with all restrictive covenants with the Company Group to which she is subject (including the restricted covenants in Sections 5 through 8 of the Employment Agreement, which are incorporated by reference herein), and (iii) the Executive's continued compliance with this Agreement.

A. *Accrued Obligations.* The Company shall pay to the Executive (A) an amount equal to the sum of (1) the Executive's Annual Base Salary (as defined in the Employment Agreement) through the Retirement Date to the extent not theretofore paid and (2) reimbursement for any unreimbursed business expenses incurred through the Retirement Date, which shall be paid in a lump sum in cash within thirty (30) days following the Retirement Date or such earlier date as may be required by law and (B) any payments, benefits, or fringe benefits to which the Executive shall be entitled under the terms of any applicable compensation arrangement or benefit, equity or fringe benefit plan or program or grant, or the Employment Agreement, which shall be paid at such times and in such forms as provided for by such plan, program, or grant or such earlier date as may be

required by law; provided, that this Section 3.A shall not result in duplication of benefits with any other payment or benefit under this Agreement or any other agreement or plan. For the avoidance of doubt, any medical, dental, and other health insurance coverage in which the Executive (and her beneficiaries) participate as of the Retirement Date shall continue through the end of the month during which the Retirement Date takes place.

B. Severance. The Company shall (1) pay to the Executive a prorated share (determined on the basis of the number of days on which the Executive was employed by the Company during the 2019 fiscal year) of the Annual Bonus that would otherwise have been earned based on actual performance and been payable pursuant to the terms of the Employment Agreement had the Executive continued to be employed by the Company for the entirety of the 2019 fiscal year, which shall be paid in a lump sum in cash when such Annual Bonus payment is regularly paid to similarly situated executives, (2) pay to the Executive the equivalent of twenty-four (24) months of the Executive's Annual Base Salary as in effect immediately prior to the Retirement Date in substantially equal installments for the twenty-four (24) month period following the Retirement Date, subject to standard withholdings and other authorized reductions, and (3) subject to the Executive's timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, pay to the Executive in a lump sum in cash within thirty (30) days after such election an amount equal to the product of (x) the portion of the monthly premiums of the Executive's group health insurance, including coverage for the Executive's eligible dependents, that the Company paid immediately prior to the Executive's Retirement Date and (y) eighteen (18). For the avoidance of doubt, the payments contemplated by this Section 3.B shall be paid, subject to the effectiveness of the release set forth in Section 7 of this Agreement, in substantially equal installments on regularly scheduled payroll dates beginning on the first payroll date that is sixty (60) days after the Retirement Date; provided, that such first payment shall be a lump sum payment equal to the amount of all payments due from the Retirement Date through the date of such first payment, subject in all events to Section 17 of the Employment Agreement.

C. Full Satisfaction. The Executive acknowledges and agrees that, except as expressly provided in this Agreement, (i) the Executive is not entitled to any other compensation or benefits from the Company or any member of the Company Group (including, without limitation, any severance or termination compensation or benefits), and (ii) as of and after the Retirement Date, except for purposes of continued equity vesting as described in Section 3.D of this Agreement and any medical, dental, and other health insurance coverage in which the Executive (and her beneficiaries) participate pursuant to Section 3.B of this Agreement, the Executive shall no longer participate in, accrue service credit, or have contributions made on her behalf under any employee benefit plan sponsored by any member of the Company Group in respect of periods commencing on and following the Retirement Date, including without limitation, any plan that is intended to qualify under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code").

D. Equity. The Executive's restricted stock units ("RSUs"), performance stock units ("PSUs"), and stock options to purchase shares of the Company's common stock shall be subject to the terms and conditions of the applicable equity plan and award agreements issued thereunder. For purposes of clarity, as of the Retirement Date, the Executive shall forfeit 100% of her outstanding RSUs and unvested stock options. As of the Retirement Date, any of the Executive's vested stock

options will remain outstanding and exercisable for the six (6) month period after the Retirement Date, and shall, to the extent that they are not exercised, be forfeited as of the end of such period. With respect to the Executive's outstanding PSU awards granted in 2017, 2018, and 2019, the Executive shall be eligible for "Retirement" treatment under the terms of the applicable award agreement, including with respect vesting and settlement of such PSUs. For the avoidance of doubt, (i) the Executive shall be eligible to vest in all of her earned PSUs for all completed performance intervals as of the Retirement Date (including the 2,704 PSUs earned in respect of the 2017 tranche and the 5,404 PSUs earned in respect of the 2018 tranche pursuant to the applicable award agreements), (ii) with respect to the 2019 tranche, the Executive shall be eligible to earn the number of PSUs with respect to such tranche that is determined based upon the extent to which the performance goals established under each applicable award agreement with respect to the 2019 performance interval have been achieved as of the last day of the 2019 performance interval, except that the number of PSUs earned will be prorated based on (x) the number of days that have elapsed during the 2019 performance interval up to and including the Retirement Date, divided by (y) 365, and (iii) the Executive shall forfeit all PSUs with respect to each tranche that applies to a 2020 or later performance interval. PSUs shall be settled in accordance with the terms of the applicable PSU award agreements.

4. Post-Employment Cooperation. For a period of six months following the Retirement Date, the Executive shall assist in the smooth transition of her previous duties and responsibilities as Chief Executive Officer of the Company to the then current Chief Executive Officer of the Company. Upon reasonable request and notice following the Retirement Date, the Executive shall cooperate to the best of her ability with the Company to answer, to the extent of her best knowledge and information, any questions or provide any information that the Company reasonably requires, and to cooperate to the best of her ability in any other manner reasonably requested by the Company, including in preparing for any trials, hearings, or other proceedings, and providing truthful testimony in connection therewith, in each case relating to her time of employment with the Company and the business of the Company. The Company shall reimburse the Executive for any reasonable, out-of-pocket expenses incurred by her in connection with her compliance with this Section 4 pursuant to the Company's expense reimbursement policy. The Company agrees that the Executive's obligations in this Section 4 are not intended to unreasonably interfere with her ongoing business and personal activities.

5. Restrictive Covenants.

A. Generally. The Executive agrees that Sections 5 through 11 of the Employment Agreement survive the termination of her employment, and she confirms that she is bound by such provisions, including but not limited to the non-disclosure, non-competition, and non-solicitation, obligations set forth therein. The Executive also agrees that she is subject to continuing obligations under the terms of the equity award agreements between the Executive and the Company that survive the termination of her employment, and she confirms that she is bound by such provisions, including the non-solicitation obligations set forth therein. If there is a conflict between the Executive's continuing obligations under the Employment Agreement, the equity award agreements, and any other restrictive covenants to which the Executive may be bound, the provisions more protective

of the Company Group's interests shall apply, as determined by the Company Group in its sole discretion.

B. Return of Property. The Executive acknowledges that all notes, memoranda, specifications, devices, formulas, records, files, lists, drawings, documents, models, equipment, computers, phones, software, and intellectual property, in whatever form (including electronic), and all copies thereof, and any and all other assets and property of the Company Group or relating to the businesses of the Company Group that are received, held, or created by the Executive while an employee of the Company Group are and shall remain the property of the Company Group, and the Executive shall immediately return all such property to the Company Group upon the Retirement Date.

C. Non-Disparagement. The Executive shall not at any time at any time after the Retirement Date, directly or indirectly, disparage, criticize or otherwise make derogatory statements regarding the Company or any member of the Company Group, or any of their respective successors, shareholders, partners, members, employees, directors or officers. The foregoing shall not be violated by the Executive's truthful responses to legal process or inquiry by a governmental authority.

6. No Complaints, Claims, or Actions Filed. The Executive represents that the Executive has not filed any complaints, claims, or actions against the Company or any Released Party (as defined in Section 7 below) with any state, federal, or local agency or court. The Executive covenants and agrees that the Executive will not file any complaints, claims, or actions against the Company or any Released Party with respect to a claim released pursuant to Section 7 below at any time hereafter. The Executive warrants and represents that, as of the date of execution of this Agreement, the Executive is not aware of any facts that would establish, tend to establish, or in any way support an allegation that the Company or any Released Party has engaged in conduct that the Executive believes could violate any federal, state, or local law, or to the extent that the Executive has or ever had any such information, the Executive has reported that information to the Company in accordance with Company policy.

7. Release of All Claims. In consideration for the promises and obligations set forth in this Agreement, the Executive hereby irrevocably, unconditionally, and fully releases the Company, RRI, each member of the Company Group, and any affiliated entities, and each and all of its/their current and former shareholders, officers, agents, directors, supervisors, employees, and representatives, and its/their successors and assigns, and all persons acting by, through, under, or in concert with any of them ("Released Parties"), from any and all charges, complaints, claims, and liabilities of any kind or nature whatsoever, known or unknown, suspected or unsuspected (hereinafter referred to as "claim" or "claims"), that the Executive at any time had or claimed to have or that the Executive may have or claim to have regarding any matter as of the date of this Agreement, including, without limitation, any and all claims related to or in any manner incidental to the Executive's employment or termination of employment with the Company. It is expressly understood by the Executive that among the various rights and claims being waived in this release include those arising under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act ("ADEA"), the Family and Medical Leave Act, common law and any and all other applicable federal, state, county or local statutes, ordinances, or

regulations, and the law of contract and tort. The released claims also include claims of discrimination or harassment on the basis of workers' compensation status, but do not include workers' compensation claims. By signing this Agreement, the Executive acknowledges that the Executive intends to waive and release all rights known or unknown that Executive may have against the Released Parties under these and any other laws; provided that the Executive does not waive or release claims with respect to (A) any rights that the Executive may have to any payments or benefits pursuant to Section 3 of this Agreement, (B) any claims or rights under the indemnification policy of any member of the Company Group, which all parties acknowledge survives the termination of the Executive's employment pursuant to its terms, and (C) rights that cannot be released as a matter of law.

8. Reemployment. The Executive hereby waives any and all claims to reemployment with the Company or any of its affiliates and affirmatively agrees not to seek further employment with the Company or any of its affiliates.

9. Release of Claims and Notices Required under the Age Discrimination in Employment Act and the Older Workers' Benefit Protection Act. The Executive understands and agrees that the Executive:

A. Has been offered at least twenty-one (21) days during which to consider this Agreement before signing it and understands that if she signs this Agreement prior to the expiration of such twenty-one (21) day period she knowingly and voluntarily waives the remainder of such consideration period;

B. Has carefully read and fully understands all of the provisions of this Agreement;

C. Is waiving and releasing any rights under the ADEA and the Older Workers Benefit Protection Act ("OWBPA"), among other claims;

D. Knowingly and voluntarily agrees to all of the terms set forth in this Agreement;

E. Knowingly and voluntarily intends to be legally bound by the terms of this Agreement;

F. Was advised and hereby is advised in writing to consider the terms of this Agreement and consult with an attorney of the Executive's choice prior to executing this Agreement;

G. Has a full seven (7) days from the date of execution of this to revoke this Agreement (including, without limitation, any and all claims arising under the ADEA) by sending written notice to Michael Kaplan, Chief Legal Officer, and that neither the Company nor any other person is obligated to provide any payments or benefits to the Executive pursuant to Section 3.B until eight (8) days have passed since the Executive's signing of this Agreement without the Executive's having revoked this Agreement (such eighth (8th) day, on which the "Release of All Claims" under this Agreement becomes irrevocable and effective, the "Release Effective Date");

H. Understands that rights or claims under the Age Discrimination in Employment Act of 1967 (29 U.S.C. § 621, *et seq.*) that may arise after the date this Agreement is executed are not waived;

I. Understands that nothing in this Agreement (including Section 7) prevents or precludes the Executive from challenging or seeking a determination of the validity of this waiver under the ADEA or the OWBPA in good faith, nor that it imposes any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law; and

J. Understands that once the Company has made its final offer of severance, any changes, whether material or immaterial, to this Agreement do not restart the twenty-one day period in which to consider the Agreement before signing it.

10. No Admission of Liability. This Agreement and compliance with this Agreement shall not be construed as an admission by the Company or any Released Party of any liability whatsoever, or as an admission by the Company or any Released Party of any violations of the rights of the Executive or any person or violation of any order, law, statute, duty, or contract whatsoever against the Executive or any person. The Company and each Released Party specifically disclaims any liability to the Executive or any other person for any alleged violation of the rights of the Executive or any person, or for any alleged violation of any order, law, statute, duty, or contract on the part of the Company or any Released Party.

11. Communication with Government Agency. Nothing in this Agreement, including Sections 4, 6, and 7, (A) limits or affects the Executive's right to challenge the validity of this Agreement, including, without limitation, a challenge under the ADEA; (B) in any way interferes with the Executive's right and responsibility to give truthful testimony under oath; or (C) precludes the Executive from participating in an investigation, filing a charge or otherwise communicating with any federal, state or local government office, official or agency, including, but not limited to, the Equal Employment Opportunity Commission, Department of Labor, or National Labor Relations Board. However, the Executive promises never to seek or accept any compensatory damages, back pay, front pay, or reinstatement remedies for the Executive personally with respect to any claims released by this Agreement.

12. Miscellaneous.

A. Modification. This Agreement may not be modified or amended, nor may any rights hereunder be waived, except in a writing signed and agreed to by the Parties.

B. Notices. Any notice given pursuant to this Agreement to any party hereto shall be deemed to have been duly given when mailed by registered or certified mail, return receipt requested, or by overnight courier, or when hand delivered as follows:

If to the Company:
Red Robin International, Inc.
6312 South Fiddler's Green Circle, Suite 200 North
Greenwood Village, CO 80111
Attention: Chair of the Board of Directors and Chief Legal Officer

with a copy (which shall not constitute notice) to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019
Attention: Scott Barshay
Lawrence I. Witdorhich

If to the Executive, at the Executive's most recent address on the payroll records of the Company.

or at such other address any party shall from time to time designate by written notice, in the manner provided herein, to the other parties hereto.

C. *Successors and Assigns.* This Agreement shall be binding upon the Executive and the Company Group and upon their respective heirs, administrators, representatives, executors, successors, and assigns, and shall inure to the benefit of said parties, and each of them, and to their respective heirs, administrators, representatives, executors, successors, and assigns. The Executive expressly warrants that the Executive has not transferred to any party or entity any rights, causes of action, or claims released in this Agreement. The Executive agrees that each successor or affiliate of the Company shall be an express third-party beneficiary hereto and shall be entitled to enforce the provisions of this Agreement.

D. *General Consequences of Breach.* If any party to this Agreement breaches this Agreement, for example, by bringing a lawsuit based on claims that such party has released, by making a false representation in this Agreement, or by a past or future breach of Section 4 of this Agreement, the non-breaching party will be entitled to recover all damages flowing from such breach; specifically, including, but not limited to reasonable attorneys' fees and all other costs incurred by the non-breaching party as a result of the breach or false representation, such as the cost of defending any suit brought with respect to a released claim by the breaching party.

E. *Taxes.* The Executive shall be responsible for the payment of any and all required federal, state, local, and foreign taxes incurred, or to be incurred, in connection with any amounts payable to the Executive under this Agreement. Notwithstanding any other provision of this Agreement to the contrary, the Company or any member of the Company Group, as applicable, may withhold from all amounts payable under this Agreement all federal, state, local, and foreign taxes that are required to be withheld pursuant to any applicable laws and regulations.

F. *Section 409A.* The Parties intend that the compensation and benefits under this Agreement either be exempt from or compliant with Section 409A of the Code, and Section 17 of the Employment Agreement is hereby incorporated by reference *mutatis mutandis* as if fully set forth herein.

G. *Severability.* In the event that any provision of this Agreement is determined to be invalid or unenforceable, the remaining terms and conditions of this Agreement shall be unaffected and shall remain in full force and effect. In addition, if any provision is determined to be invalid

or unenforceable due to its duration and/or scope, the duration and/or scope of such provision, as the case may be, shall be reduced, such reduction shall be to the smallest extent necessary to comply with applicable law, and such provision shall be enforceable, in its reduced form, to the fullest extent permitted by applicable law.

H. *Entire Agreement Between Parties.* This Agreement (and the documents referenced herein) sets forth the entire agreement between the Parties hereto and, unless otherwise set forth herein, fully supersedes any and all prior agreements or understandings, written or oral, between the Parties hereto pertaining to the subject matter hereof; provided, however, if there is a conflict between this Agreement and any confidentiality, non-compete, or non-solicitation agreement the Executive previously signed, the provisions more protective of the Company's interests shall apply, as determined by the Company in its sole discretion.

I. *Amendments; Waivers.* This Agreement may not be modified, amended, or terminated except by an instrument in writing signed by the Executive and a duly authorized officer of the Company (other than the Executive) that expressly identifies the amended provision of this Agreement. By an instrument in writing similarly executed and similarly identifying the waived compliance, the Executive or a duly authorized officer of the Company may waive compliance by the other party or parties with any provision of this Agreement that such other party was or is obligated to comply with or perform; provided, however, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure to comply or perform. No failure to exercise and no delay in exercising any right, remedy, or power hereunder shall preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

J. *Governing Law.* THIS AGREEMENT AND THE LEGAL RELATIONS HEREBY CREATED BETWEEN THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED UNDER AND IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF COLORADO, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF. THE EXECUTIVE SHALL SUBMIT TO THE VENUE AND PERSONAL JURISDICTION OF THE COLORADO STATE AND FEDERAL COURTS CONCERNING ANY DISPUTE FOR WHICH JUDICIAL REDRESS IS PERMITTED PURSUANT TO THIS AGREEMENT; HOWEVER THE COMPANY IS NOT LIMITED IN SEEKING RELIEF IN THOSE COURTS.

K. *Arbitration.* Except as otherwise provided herein, any controversy arising out of or relating to this Agreement, its enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of its provisions, or any other controversy arising out of the Executive's employment, including, but not limited to, any state or federal statutory or common law claims, shall be submitted to arbitration in Denver, Colorado, before a sole arbitrator (the "Arbitrator") selected from Judicial Arbitrator Group, Inc., Denver, Colorado, or its successor ("JAG"), or if JAG is no longer able to supply the arbitrator, such arbitrator shall be selected from the Judicial Arbitration and Mediation Services, Inc. ("JAMS"), or other mutually agreed upon arbitration provider, as the exclusive forum for the resolution of such dispute. Provisional injunctive relief may, but need not, be sought by either party to this Agreement in a court of law while arbitration

proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally determined by the Arbitrator. Final resolution of any dispute through arbitration may include any remedy or relief which the Arbitrator deems just and equitable, including any and all remedies provided by applicable state or federal statutes. At the conclusion of the arbitration, the Arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the Arbitrator's award or decision is based. Any award or relief granted by the Arbitrator hereunder shall be final and binding on the Parties and may be enforced by any court of competent jurisdiction. The Parties acknowledge and agree that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the Parties against the other in connection with any matter whatsoever arising out of or in any way connected with this Agreement or the Executive's employment, and under no circumstances shall class claims be processed or participated in by the Executive. The Parties agree that Company shall be responsible for payment of the forum costs of any arbitration hereunder, including the Arbitrator's fee. The Executive and the Company further agree that in any proceeding to enforce the terms of this Agreement, the prevailing party shall be entitled to its or her reasonable attorneys' fees and costs incurred by it or her in connection with resolution of the dispute in addition to any other relief granted.

L. *Headings*. The headings in this Agreement are for convenience of identification only and are not intended to describe, interpret, define or limit the scope, extent, or intent of this Agreement or any provision hereof.

M. *Construction*. This Agreement shall be deemed drafted equally by the Parties. Its language shall be construed as a whole and according to its fair meaning. Any presumption or principle that the language is to be construed against any party shall not apply. The headings in this Agreement are only for convenience and are not intended to affect construction or interpretation. Any references to paragraphs, subparagraphs, sections, or subsections are to those parts of this Agreement, unless the context clearly indicates to the contrary. Also, unless the context clearly indicates to the contrary: (i) the plural includes the singular, and the singular includes the plural; (ii) "and" and "or" are each used both conjunctively and disjunctively; (iii) "any," "all," "each," or "every" means "any and all," and "each and every"; (iv) "includes" and "including" are each "without limitation"; and (v) "herein," "hereof," "hereunder," and other similar compounds of the word "here" refer to the entire Agreement and not to any particular paragraph, subparagraph, section, or subsection.

N. *Counterparts*. The Agreement may be executed by one or more of the Parties hereto on any number of separate counterparts and all such counterparts shall be deemed to be one and the same instrument. Each party hereto confirms that any facsimile copy or .pdf of such party's executed counterpart of the Agreement (or its signature page thereof) shall be deemed to be an executed original thereof.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the date written below.

EXECUTIVE

Date:

April 3, 2019

/s/ Denny Marie Post

_____ DENNY MARIE POST

COMPANY

**RED ROBIN GOURMET
BURGERS, INC.**

Date:

April 3, 2019

By:

/s/ Michael L. Kaplan

_____ Name: Michael L. Kaplan

Title: Senior Vice President and Chief Legal Officer

[Signature Page to Retirement Agreement]

RED ROBIN GOURMET BURGERS, INC.

April [], 2019

[FIRST LAST]

[Address Line]

[Address Line 2]

Retention Bonus Award

Dear [FIRST],

We are pleased to offer you the following retention bonus, subject to the terms and conditions set forth in this letter.

You will be eligible to receive a one-time cash retention bonus in the amount of \$[]¹, to be paid with the final payroll of Red Robin for fiscal year 2019, less applicable withholdings and deductions, provided that (i) you remain an employee of Red Robin in good standing through such date or (ii) your employment is terminated by Red Robin without "Cause" (as defined in The Red Robin Gourmet Burgers, Inc. Change In Control Severance Plan (the "Plan")) prior to such date. For the avoidance of doubt, if your employment terminates for any other reason prior to the final payroll date of fiscal year 2019, you will not receive payment of the retention bonus.

This letter constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior written or oral negotiations, commitments, representations, and agreements with respect thereto. This letter will be governed by and construed in accordance with the law of the State of Delaware (without giving effect to the choice of law principles thereof).

If you have further questions, please direct them to []. Thank you for being part of our team and for your contribution to our continued success.

Sincerely,

Red Robin Gourmet Burgers, Inc.

By:
Title:

Agreed and accepted:

[FIRST LAST]

Date

¹ For Guy Constant, \$250k; Jonathan Muhtar, \$200k; Michael Kaplan, \$200k; Dean Cookson, \$150k.

CEO CERTIFICATION

I, Pattye L. Moore, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Red Robin Gourmet Burgers, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 30, 2019

(Date)

/s/ Pattye L. Moore

Pattye L. Moore
Chief Executive Officer

CFO CERTIFICATION

I, Lynn S. Schweinfurth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Red Robin Gourmet Burgers, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 30, 2019

(Date)

/s/ Lynn S. Schweinfurth

Lynn S. Schweinfurth
Chief Financial Officer

**Written Statement
Pursuant To
18 U.S.C. Section 1350**

In connection with the Quarterly Report of Red Robin Gourmet Burgers, Inc. (the "Company") on Form 10-Q for the period ended April 21, 2019, as filed with the Securities and Exchange Commission on May 30, 2019 (the "Report"), the undersigned, Pattye L. Moore, Chief Executive Officer, and Lynn S. Schweinfurth, Chief Financial Officer, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that;

- (a) the Quarterly Report on Form 10-Q for the period ended April 21, 2019 of the Company (the "Periodic Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 30, 2019

/s/ Pattye L. Moore

Pattye L. Moore
Chief Executive Officer

Dated: May 30, 2019

/s/ Lynn S. Schweinfurth

Lynn S. Schweinfurth
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Red Robin Gourmet Burgers, Inc. and will be retained by Red Robin Gourmet Burgers, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.