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 July 14, 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	**84-1573084**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6312 S. Fiddler's Green Circle, Suite 200 N	
Greenwood Village, CO	**80111**
(Address of principal executive offices)	(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 ☐	Accelerated filer ☒
Non-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 August 21, 2019, there were 12,967,566 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) July 14, 2019	December 30, 2018
Assets:		
Current assets:		
Cash and cash equivalents	$ 26,194	$ 18,569
Accounts receivable, net	12,978	25,034
Inventories	27,428	27,370
Prepaid expenses and other current assets	15,005	27,576
Total current assets	81,605	98,549
Property and equipment, net	527,789	565,142
Right of use assets, net	448,352	—
Goodwill	96,453	95,838
Intangible assets, net	32,071	34,609
Other assets, net	73,665	49,803
Total assets	$ 1,259,935	$ 843,941
Liabilities and stockholders' equity:		
Current liabilities:		
Accounts payable	$ 32,037	$ 39,024
Accrued payroll and payroll-related liabilities	37,863	37,922
Unearned revenue	39,723	55,360
Short-term portion of lease obligations	42,136	786
Accrued liabilities and other	43,899	38,057
Total current liabilities	195,658	171,149
Deferred rent	—	75,675
Long-term debt	181,375	193,375
Long-term portion of lease obligations	503,030	9,414
Other non-current liabilities	10,158	11,523
Total liabilities	890,221	461,136
Stockholders' equity:		
Common stock; $0.001 par value: 45,000 shares authorized; 17,851 and 17,851 shares issued; 12,985 and 12,971 shares outstanding	18	18
Preferred stock, $0.001 par value: 3,000 shares authorized; no shares issued and outstanding	—	—
Treasury stock 4,866 and 4,880 shares, at cost	(200,428)	(201,505)
Paid-in capital	212,059	212,752
Accumulated other comprehensive loss, net of tax	(4,724)	(4,801)
Retained earnings	362,789	376,341
Total stockholders' equity	369,714	382,805
Total liabilities and stockholders' equity	$ 1,259,935	$ 843,941

See Notes to Condensed Consolidated Financial Statements.

RED ROBIN GOURMET BURGERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(In thousands, except per share amounts)

(Unaudited)

	Twelve Weeks Ended		Twenty-Eight Weeks Ended	
	July 14, 2019	July 15, 2018	July 14, 2019	July 15, 2018
Revenues:				
Restaurant revenue	$ 302,418	$ 310,392	$ 702,902	$ 725,094
Franchise and other revenues	5,563	4,996	14,945	11,813
Total revenues	307,981	315,388	717,847	736,907
Costs and expenses:				
Restaurant operating costs (excluding depreciation and amortization shown separately below):				
Cost of sales	72,387	74,874	166,102	173,389
Labor	106,538	106,476	249,432	249,491
Other operating	43,000	42,668	98,565	97,693
Occupancy	25,458	26,460	60,478	61,470
Depreciation and amortization	21,369	22,323	49,807	51,516
Selling, general, and administrative expenses	35,234	35,617	83,350	81,935
Pre-opening costs	—	569	319	1,706
Other charges	16,847	10,615	19,245	16,902
Total costs and expenses	320,833	319,602	727,298	734,102
(Loss) income from operations	(12,852)	(4,214)	(9,451)	2,805
Other expense:				
Interest expense, net and other	2,153	2,385	5,391	5,792
Loss before income taxes	(15,005)	(6,599)	(14,842)	(2,987)
Income tax benefit	(15,986)	(4,725)	(16,462)	(5,493)
Net income (loss)	$ 981	$ (1,874)	$ 1,620	$ 2,506
Earnings (loss) per share:				
Basic	$ 0.08	$ (0.14)	$ 0.12	$ 0.19
Diluted	$ 0.08	$ (0.14)	$ 0.12	$ 0.19
Weighted average shares outstanding:				
Basic	12,970	12,982	12,969	12,979
Diluted	13,043	12,982	13,047	13,080
Other comprehensive income (loss):				
Foreign currency translation adjustment	$ 406	$ (497)	$ 77	$ (770)
Other comprehensive income (loss), net of tax	406	(497)	77	(770)
Total comprehensive income (loss)	$ 1,387	$ (2,371)	$ 1,697	$ 1,736

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			Accumulated Other Comprehensive Loss, net of tax		
	Shares	Amount	Shares	Amount	Paid-in Capital		Retained Earnings	Total
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
Exercise of options, issuance of restricted stock, shares exchanged for exercise and tax, and stock issued through employee stock purchase plan	—	—	(30)	1,208	(907)	—	—	301
Acquisition of treasury stock	—	—	17	(501)	—	—	—	(501)
Non-cash stock compensation	—	—	—	—	941	—	—	941
Net income	—	—	—	—	—	—	981	981
Other comprehensive income	—	—	—	—	—	406	—	406
Balance, July 14, 2019	17,851	$ 18	4,866	$ (200,428)	$ 212,059	$ (4,724)	$ 362,789	$ 369,714

See Notes to Condensed Consolidated Financial Statements.

RED ROBIN GOURMET BURGERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Common Stock		Treasury Stock			Accumulated Other Comprehensive Loss, net of tax		
	Shares	Amount	Shares	Amount	Paid-in Capital		Retained Earnings	Total
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
Exercise of options, issuance of restricted stock, shares exchanged for exercise and tax, and stock issued through employee stock purchase plan	—	—	(22)	961	(545)	—	—	416
Non-cash stock compensation	—	—	—	—	1,069	—	—	1,069
Net income	—	—	—	—	—	—	(1,874)	(1,874)
Other comprehensive income	—	—	—	—	—	(497)	—	(497)
Balance, July 15, 2018	17,851	$ 18	4,849	$ (200,482)	$ 211,352	$ (4,336)	$ 385,266	$ 391,818

See Notes to Condensed Consolidated Financial Statements.

RED ROBIN GOURMET BURGERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Twenty-Eight Weeks Ended	
	July 14, 2019	July 15, 2018
Cash flows from operating activities:		
Net income	$ 1,620	$ 2,506
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49,807	51,516
Gift card breakage	(4,320)	(1,673)
Unpaid other charges	15,964	14,537
Deferred income tax (benefit) provision	(21,526)	(7,766)
Stock-based compensation expense	1,415	2,356
Other, net	560	709
Changes in operating assets and liabilities:		
Accounts receivable	12,132	14,070
Prepaid expenses and other current assets	3,459	13,744
Trade accounts payable and accrued liabilities	(7,388)	(732)
Unearned revenue	(11,343)	(13,591)
Other operating assets and liabilities, net	1,366	1,344
Net cash provided by operating activities	41,746	77,020
Cash flows from investing activities:		
Purchases of property, equipment, and intangible assets	(21,168)	(27,319)
Proceeds from sales of real estate and property, plant, and equipment and other investing activities	178	115
Net cash used in investing activities	(20,990)	(27,204)
Cash flows from financing activities:		
Borrowings of long-term debt	162,000	160,500
Payments of long-term debt and finance leases	(174,464)	(205,870)
Purchase of treasury stock	(1,475)	—
Proceeds from exercise of stock options and employee stock purchase plan	693	732
Net cash used in financing activities	(13,246)	(44,638)
Effect of exchange rate changes on cash	115	(996)
Net change in cash and cash equivalents	7,625	4,182
Cash and cash equivalents, beginning of period	18,569	17,714
Cash and cash equivalents, end of period	$ 26,194	$ 21,896
Supplemental disclosure of cash flow information		
Income taxes paid	$ 2,742	$ 991
Interest paid, net of amounts capitalized	$ 5,482	$ 5,411
Change in construction related payables	$ 1,883	$ 2,127

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 July 14, 2019, the Company owned and operated 472 restaurants located in 39 states and two Canadian provinces. The Company also had 90 franchised full-service restaurants in 16 states as of July 14, 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 July 14, 2019 is referred to as second quarter 2019, or the twelve weeks ended July 14, 2019; the first quarter ended April 21, 2019 is referred to as first quarter 2019; and together, the first and second quarters of 2019 are referred to as the twenty-eight weeks ended July 14, 2019. The Company's quarter that ended July 15, 2018 is referred to as second quarter 2018, or the twelve weeks ended July 15, 2018; the first quarter ended April 22, 2018 is referred to as first quarter 2018; and together, the first and second quarters of 2018 are referred to as the twenty-eight weeks ended July 15, 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 fiscal year ended December 30, 2018, the Company reclassified unfavorable lease rights of $1.4 million from Deferred rent to Other non-current liabilities on the condensed consolidated balance sheets. 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):

	Twelve Weeks Ended		Twenty-Eight Weeks Ended	
	July 14, 2019	July 15, 2018	July 14, 2019	July 15, 2018
Restaurant revenue	$ 302,418	$ 310,392	$ 702,902	$ 725,094
Franchise revenue	4,389	4,006	9,752	9,449
Other revenue	$ 1,174	$ 990	$ 5,193	$ 2,364
Total revenues	$ 307,981	$ 315,388	$ 717,847	$ 736,907

Contract liabilities

Unearned gift card revenue at July 14, 2019 and December 30, 2018 was $29.4 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 July 14, 2019 and December 30, 2018.

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

	Twenty-Eight Weeks Ended	
	July 14, 2019	July 15, 2018
Gift card revenue	$ 18,380	$ 16,269

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 of1-15 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.

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 July 14, 2019 as follows (in thousands):

	Finance	Operating	Total
Right of use assets, net	$ 8,878	$ 439,474	$ 448,352
Short-term portion of lease obligations	931	41,205	42,136
Long-term portion of lease obligations	10,459	492,571	503,030
Total	$ 11,390	$ 533,776	$ 545,166

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 as follows (in thousands):

	Twelve Weeks Ended July 14, 2019	Twenty-Eight Weeks Ended July 14, 2019
Operating lease cost	$ 17,442	$ 41,114
Finance lease cost		
Amortization of right of use assets	193	441
Interest on lease liabilities	125	294
Total finance lease cost	318	735
Variable lease cost	6,647	15,532
Total	$ 24,407	$ 57,381

Maturities of our lease liabilities as ofJuly 14, 2019 were as follows (in thousands):

	Finance Leases	Operating Leases	Total
Remainder of 2019	$ 626	$ 32,754	$ 33,380
2020	1,396	78,506	79,902
2021	1,437	77,773	79,210
2022	1,283	75,260	76,543
2023	1,220	72,931	74,151
Thereafter	8,828	469,432	478,260
Total future lease liability	14,790	806,656	821,446
Less imputed interest	3,400	272,880	276,280
Fair value of lease liability	$ 11,390	$ 533,776	$ 545,166

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:

	Twenty-Eight Weeks Ended July 14, 2019
Cash paid for amounts included in the measurement of lease liabilities (in thousands):	$ 40,129
Right of use assets obtained in exchange for operating lease obligations following the adoption of Topic 842 (in thousands):	$ 7,022
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	7.35 %

Other information related to financing leases as follows:	
Weighted average remaining lease term	12 years
Weighted average discount rate	4.74 %

4. Goodwill and Intangible Assets

The following table presents goodwill as of July 14, 2019 and December 30, 2018 (in thousands):

Balance, December 30, 2018	$ 95,838
Foreign currency translation adjustment	615
Balance, July 14, 2019	$ 96,453

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 July 14, 2019 and December 30, 2018 (in thousands):

	July 14, 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	$ 53,736	$ (34,580)	$ 19,156	$ 54,404	$ (33,160)	$ 21,244
Favorable leases	13,001	(8,490)	4,511	13,001	(8,136)	4,865
Liquor licenses and other	10,730	(9,786)	944	10,810	(9,770)	1,040
	$ 77,467	$ (52,856)	$ 24,611	$ 78,215	$ (51,066)	$ 27,149
Indefinite-lived intangible assets:						
Liquor licenses and other	$ 7,460	$ —	$ 7,460	$ 7,460	$ —	$ 7,460
Intangible assets, net	$ 84,927	$ (52,856)	$ 32,071	$ 85,675	$ (51,066)	$ 34,609

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):

	Twelve Weeks Ended		Twenty-Eight Weeks Ended	
	July 14, 2019	July 15, 2018	July 14, 2019	July 15, 2018
Basic weighted average shares outstanding	12,970	12,982	12,969	12,979
Dilutive effect of stock options and awards	73	—	78	101
Diluted weighted average shares outstanding	13,043	12,982	13,047	13,080
Awards excluded due to anti-dilutive effect on diluted earnings per share	378	344	457	298

6. Other Charges

Other charges consist of the following (in thousands):

	Twelve Weeks Ended		Twenty-Eight Weeks Ended	
	July 14, 2019	July 15, 2018	July 14, 2019	July 15, 2018
Asset impairment	$ 14,064	$ 9,643	$ 14,064	$ 9,643
Executive transition and severance	370	—	2,364	—
Restaurant closure costs	1,001	—	1,305	—
Board and shareholder matter costs	1,152	—	1,152	—
Litigation contingencies	—	—	—	4,000
Reorganization costs	—	466	—	2,753
Spiral menu disposal	—	506	—	506
Executive retention	260	—	360	—
Other charges	$ 16,847	$ 10,615	$ 19,245	$ 16,902

In second quarter 2019, the Company determined 29 Company-owned restaurants were impaired and recognized a non-cash impairment charge of $14.1 million. In second quarter 2018, the Company determined eight Company-owned restaurants were impaired and recognized a non-cash impairment charge of $9.6 million. The Company recognized the impairment charges resulting from the continuing and projected future results of these restaurants, primarily through projected cash flows.

7. Borrowings

Long-term debt as of July 14, 2019 and December 30, 2018 was $181.4 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. On August 19, 2019, the Company entered into a second amendment (the "Amendment") to the Credit Facility. The Amendment increases the lease adjusted leverage ratio to 5.0x through December 29, 2019 before returning to 4.75x thereafter. In addition, the Amendment revises the definition of permitted acquisitions under the Credit Facility to correspond with the change to the lease adjusted leverage ratio and clarifies the classification of existing capital and operating leases. A copy of the Amendment is filed as Exhibit 10.2 to this Quarterly Report on Form 10-Q.

The Company's lease adjusted leverage ratio was 4.30x as of July 14, 2019. The lease adjusted leverage ratio is defined in Section 1.1 of the Company's credit facility, which is filed as Exhibit 10.32 to the Annual Report on Form 10-K filed on February 21, 2017.

The Credit Facility matures on June 30, 2021. As of July 14, 2019, the Company had outstanding borrowings under the Credit Facility of $180.5 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 $1.3 million and $1.7 million as of July 14, 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 ofJuly 14, 2019 and December 30, 2018 (in thousands):

	July 14, 2019	Level 1	Level 2	Level 3
Assets:				
Investments in rabbi trust	$ 6,808	$ 6,808	$ —	$ —
Total assets measured at fair value	$ 6,808	$ 6,808	$ —	$ —

	December 30, 2018	Level 1	Level 2	Level 3
Assets:				
Investments in rabbi trust	$ 8,198	$ 8,198	$ —	$ —
Total assets measured at fair value	$ 8,198	$ 8,198	$ —	$ —

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 July 14, 2019 and December 30, 2018, the Company measured non-financial assets for impairment using continuing and projected future cash flows, as discussed in Note 6, *Other Charges*, which were based on significant inputs not observable in the market and thus represented a level 3 fair value measurement.

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 ofJuly 14, 2019 and December 30, 2018 (in thousands):

	July 14, 2019		December 30, 2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Finance lease obligations	$ 11,405	$ 10,977	$ 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 twenty-eight weeks ended July 15, 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 twelve and twenty-eight week periods ending July 14, 2019 and July 15, 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 562 locations in North America. As of July 14, 2019, the Company operated 472 Company-owned restaurants located in 39 states and two Canadian provinces. The Company also had 90 franchised full-service restaurants in 16 states as of July 14, 2019. The Company operates its business as one operating and one reportable segment.

The following summarizes the operational and financial highlights during the twelve and twenty-eight weeks ended July 14, 2019:

- *Financial performance.*
  - Restaurant revenue decreased $8.0 million, or 2.6%, to $302.4 million for the twelve weeks ended July 14, 2019, as compared to the twelve weeks ended July 15, 2018, due to a $4.4 million, or 1.5%, decrease in comparable restaurant revenue, and a $4.2 million decrease from closed restaurants, partially offset by a $0.6 million increase in revenue from late 2018 new restaurant openings. Restaurant revenue decreased $22.2 million, or 3.1%, to $702.9 million for the twenty-eight weeks ended July 14, 2019, as compared to the twenty-eight weeks ended July 15, 2018, due to a $16.8 million, or 2.4%, decrease in comparable restaurant revenue, a $7.1 million decrease from closed restaurants, and a $0.9 million unfavorable foreign currency exchange impact partially offset by a $2.6 million increase in revenue from late 2018 new restaurant openings.
  - Restaurant operating costs, as a percentage of restaurant revenue, increased 110 basis points to 81.8% for the twelve weeks ended July 14, 2019, as compared to 80.7% for the twelve weeks ended July 15, 2018. For the twenty-eight weeks ended July 14, 2019, restaurant operating costs, as a percentage of restaurant revenue increased 140 basis points to 81.7%, as compared to 80.3% for the same period in 2018. The increase was due to higher labor and other operating costs, offset by a decrease in food and beverage costs as a percentage of restaurant revenue.
  - Net income was $1.0 million for the twelve weeks ended July 14, 2019 compared to a net loss of $1.9 million for the twelve weeks ended July 15, 2018. Diluted earnings per share were $0.08 for the twelve weeks ended July 14, 2019, as compared to diluted loss per share of $0.14 for the twelve weeks ended July 15, 2018. Excluding charges of $0.80 for impairment expenses, $0.07 for board and shareholder matter costs, $0.05 for restaurant closure costs, $0.02 for executive transition and severance, and $0.01 for executive retention, adjusted earnings per diluted share for the second quarter ended July 14, 2019 were $1.03. Excluding charges of $0.54 for asset impairment, $0.03 for spiral menu disposal, and $0.03 for reorganization costs, adjusted earnings per diluted share for the second quarter ended July 15, 2018 were $0.46. Net income was $1.6 million for the twenty-eight weeks ended July 14, 2019 compared to net income of $2.5 million for the twenty-eight weeks ended July 15, 2018. Diluted earnings per share were $0.12 for the twelve weeks ended July 14, 2019, as compared to diluted earnings per share of $0.19 for the twenty-eight weeks ended July 15, 2018. Excluding the impact of $0.80 per diluted share for impairment expenses, $0.13 for executive transition and severance, $0.08 for restaurant closure costs, $0.07 for board and shareholder matter costs, and $0.02 for executive retention, net income per diluted share for the twenty-eight weeks ended July 14, 2019 was $1.22. Excluding the impact of $0.54 per diluted share for asset impairment, $0.23 per diluted share for litigation contingencies, $0.16 per diluted share for reorganization costs, and $0.03 per diluted share for the disposal of spiral menus, net income per diluted share for the twenty-eight weeks ended July 15, 2018 was $1.15.
- *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:

	Twelve Weeks Ended		Twenty Eight Weeks Ended	
	July 14, 2019	July 15, 2018	July 14, 2019	July 15, 2018
Company-owned:				
Beginning of period	483	484	484	480
Opened during the period	—	2	—	6
Closed during the period[1]	(11)	(2)	(12)	(2)
End of period	472	484	472	484
Franchised:				
Beginning of period	89	87	89	86
Opened during the period	1	1	1	2
End of period	90	88	90	88
Total number of restaurants	562	572	562	572

(1) Restaurants closed during the twelve weeks ended July 14, 2019 include the permanent closure of ten restaurants and the temporary closure of one restaurant. Restaurants closed during the twenty-eight weeks ended July 14, 2019 include the permanent closure of eleven restaurants, and the temporary closure of one restaurant. Restaurants closed in the twelve and twenty-eight week periods ended July 15, 2018 consisted entirely of permanently closed restaurants.

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, with the exception of changes made due to the adoption of Topic 842, 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.

	Twelve Weeks Ended		Twenty-Eight Weeks Ended	
	July 14, 2019	July 15, 2018	July 14, 2019	July 15, 2018
Revenues:				
Restaurant revenue	98.2 %	98.4 %	97.9 %	98.4 %
Franchise royalties, fees, and other revenues	1.8	1.6	2.1	1.6
Total revenues	100.0	100.0	100.0	100.0
Costs and expenses:				
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):				
Cost of sales	23.9	24.1	23.6	23.9
Labor	35.2	34.3	35.5	34.4
Other operating	14.2	13.7	14.0	13.5
Occupancy	8.4	8.5	8.6	8.5
Total restaurant operating costs	81.8	80.7	81.7	80.3
Depreciation and amortization	6.9	7.1	6.9	7.0
Selling, general, and administrative	11.4	11.3	11.6	11.1
Pre-opening costs	—	0.2	—	0.2
Other charges	5.5	3.4	2.7	2.3
Income from operations	(4.2)	(1.3)	(1.3)	0.4
Interest expense, net and other	0.7	0.8	0.8	0.8
Income before income taxes	(4.9)	(2.1)	(2.1)	(0.4)
Income tax benefit	(5.2)	(1.5)	(2.3)	(0.7)
Net income	0.3 %	(0.6)%	0.2 %	0.3 %

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)	Twelve Weeks Ended July 14, 2019	Twelve Weeks Ended July 15, 2018	Percent Change	Twenty-Eight Weeks Ended July 14, 2019	Twenty-Eight Weeks Ended July 15, 2018	Percent Change
Restaurant revenue	$ 302,418	$ 310,392	(2.6)%	$ 702,902	$ 725,094	(3.1)%
Franchise and other revenue	5,563	4,996	11.3 %	14,945	11,813	26.5 %
Total revenues	$ 307,981	$ 315,388	(2.3)%	$ 717,847	$ 736,907	(2.6)%
Average weekly sales volumes in Company-owned restaurants(1)	$ 52,907	$ 53,266	(0.7)%	$ 52,272	$ 53,470	(2.2)%
Total operating weeks	5,716	5,827	(1.9)%	13,447	13,544	(0.7)%
Restaurant revenue per square foot	$ 102	$ 104	(1.9)%	$ 236	$ 243	(2.9)%

(1) Calculated using constant currency rates. Using historical currency rates, the average weekly sales per unit for the twelve and twenty-eight weeks ended July 15, 2018 for Company-owned restaurants was $53,268 and $53,536, respectively. 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 twelve weeks ended July 14, 2019, which comprises primarily food and beverage sales, decreased $8.0 million, or 2.6%, as compared to second quarter 2018. The decrease was due to a $4.4 million, or 1.5%, decrease in comparable restaurant revenue and a $4.2 million decrease from closed restaurants, partially offset by a $0.6 million increase in revenue from late 2018 new restaurant openings. The comparable restaurant revenue decrease was driven by a 6.4% decrease in guest counts offset by a 4.9% increase in average guest check. The increase in average guest check resulted from a 2.6% increase in pricing and a 2.3% increase in menu mix. The increase in menu mix was primarily driven by our current menu and promotional strategy, resulting in lower Tavern burger sales and higher Finest burger and entrée sales.

Restaurant revenue for the twenty-eight weeks ended July 14, 2019, decreased $22.2 million or 3.1%, as compared to the twenty-eight weeks ended July 15, 2018. The decrease was due to a $16.8 million, or 2.4%, decrease in comparable restaurant revenue, a $7.1 million decrease from closed restaurants, and a $0.9 million unfavorable foreign currency exchange impact partially offset by $2.6 million increase in revenue from late 2018 new restaurant openings. The comparable restaurant revenue decrease was driven by a 5.9% decrease in guest counts offset by a 3.5% increase in average guest check. The increase in average guest check resulted from a 2.2% increase in pricing and a 1.3% increase in menu mix. The increase in menu mix was primarily driven by our current menu and promotional strategy, resulting in lower Tavern burger sales and higher Finest burger and entrée sales.

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 $0.6 million for the twelve weeks ended July 14, 2019 compared to the twelve weeks ended July 15, 2018 and increased $3.1 million for the twenty-eight weeks ended July 14, 2019 compared to the twenty-eight weeks ended July 15, 2018, primarily due to an increase in gift card breakage. Our franchisees reported a comparable restaurant revenue decrease of 2.8% for the twelve weeks ended July 14, 2019 compared to the twelve weeks ended July 15, 2018 and a decrease of 2.2% for the twenty-eight weeks ended July 14, 2019 compared to the twenty eight weeks ended July 15, 2018.

Cost of Sales

	Twelve Weeks Ended			Twenty-Eight Weeks Ended		
(In thousands, except percentages)	**July 14, 2019**	**July 15, 2018**	**Percent Change**	**July 14, 2019**	**July 15, 2018**	**Percent Change**
Cost of sales	$ 72,387	$ 74,874	(3.3)%	$ 166,102	$ 173,389	(4.2)%
As a percent of restaurant revenue	23.9%	24.1%	(0.2)%	23.6%	23.9%	(0.3)%

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 20 basis points for the twelve weeks ended July 14, 2019 as compared to the same period in 2018, and decreased 30 basis points for the twenty-eight weeks ended July 14, 2019 as compared to the same period in 2018. The decrease was mainly driven by reduction in waste and lower Tavern mix.

Labor

	Twelve Weeks Ended			Twenty-Eight Weeks Ended		
(In thousands, except percentages)	**July 14, 2019**	**July 15, 2018**	**Percent Change**	**July 14, 2019**	**July 15, 2018**	**Percent Change**
Labor	$ 106,538	$ 106,476	0.1%	$ 249,432	$ 249,491	— %
As a percent of restaurant revenue	35.2%	34.3%	0.9%	35.5%	34.4%	1.1 %

Labor costs include restaurant-level hourly wages and management salaries as well as related taxes and benefits. For the twelve weeks ended July 14, 2019, labor as a percentage of restaurant revenue increased 90 basis points compared to the same period in 2018. The increase was primarily driven by sales deleverage.

For the twenty-eight weeks ended July 14, 2019, labor as a percentage of restaurant revenue increased 110 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

	Twelve Weeks Ended			Twenty-Eight Weeks Ended		
(In thousands, except percentages)	**July 14, 2019**	**July 15, 2018**	**Percent Change**	**July 14, 2019**	**July 15, 2018**	**Percent Change**
Other operating	$ 43,000	$ 42,668	0.8%	$ 98,565	$ 97,693	0.9%
As a percent of restaurant revenue	14.2%	13.7%	0.5%	14.0%	13.5%	0.5%

Other operating costs include costs such as equipment repairs and maintenance costs, restaurant supplies, utilities, restaurant technology, and other miscellaneous costs. For the twelve and twenty-eight week periods ended July 14, 2019, Other operating costs as a percentage of restaurant revenue increased 50 basis points as compared to the same periods in 2018. The increase was primarily due to higher costs of third-party delivery fees, partially offset by a decrease in restaurant supplies.

Occupancy

	Twelve Weeks Ended			Twenty-Eight Weeks Ended		
(In thousands, except percentages)	**July 14, 2019**	**July 15, 2018**	**Percent Change**	**July 14, 2019**	**July 15, 2018**	**Percent Change**
Occupancy	$ 25,458	$ 26,460	(3.8)%	$ 60,478	$ 61,470	(1.6)%
As a percent of restaurant revenue	8.4%	8.5%	(0.1)%	8.6%	8.5%	0.1 %

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 twelve and twenty-eight week periods ended July 14, 2019, occupancy costs as a percentage of restaurant revenue remained flat over the same periods in 2018. Our fixed rents for the twelve weeks ended July 14, 2019 and July 15, 2018 were $17.0 million and $17.7 million, a decrease of $0.7 million due to 10 net locations permanently closed during the period. Our fixed rents for the twenty-eight weeks ended July 14, 2019 and July 15, 2018 were $40.2 million and $41.2 million, a decrease of $1.0 million due to 11 net locations permanently closed during the period.

Depreciation and Amortization

(In thousands, except percentages)	Twelve Weeks Ended			Twenty-Eight Weeks Ended		
	July 14, 2019	July 15, 2018	Percent Change	July 14, 2019	July 15, 2018	Percent Change
Depreciation and amortization	$ 21,369	$ 22,323	(4.3)%	$ 49,807	$ 51,516	(3.3)%
As a percent of total revenues	6.9%	7.1%	(0.2)%	6.9%	7.0%	(0.1)%

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 twelve and twenty-eight week periods ended July 14, 2019, depreciation and amortization expense as a percentage of revenue remained flat over the same periods in 2018.

Selling, General, and Administrative

(In thousands, except percentages)	Twelve Weeks Ended			Twenty-Eight Weeks Ended		
	July 14, 2019	July 15, 2018	Percent Change	July 14, 2019	July 15, 2018	Percent Change
Selling, general, and administrative	$ 35,234	$ 35,617	(1.1)%	$ 83,350	$ 81,935	1.7%
As a percent of total revenues	11.4%	11.3%	0.1 %	11.6%	11.1%	0.5%

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 twelve weeks ended July 14, 2019 decreased $0.4 million, or 1.1%, as compared to the same period in 2018. The decrease was primarily due to lower media spend, partially offset by increases in professional and legal fees. For the twenty-eight weeks ended July 14, 2019, selling, general, and administrative costs increased $1.4 million, or 1.7%, as compared to the same period in 2018. The increase was primarily related to an increase in professional services and higher wages.

Pre-opening Costs

(In thousands, except percentages)	Twelve Weeks Ended			Twenty-Eight Weeks Ended		
	July 14, 2019	July 15, 2018	Percent Change	July 14, 2019	July 15, 2018	Percent Change
Pre-opening costs	$ —	$ 569	(100.0)%	$ 319	$ 1,706	(81.3)%
As a percent of total revenues	—%	0.2%	(0.2)%	—%	0.2%	(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.

We incurred no pre-opening costs during the twelve weeks ended July 14, 2019. Pre-opening costs decreased $1.4 million for the twenty-eight weeks ended July 14, 2019 as compared to the same period in 2018. The decrease was primarily due to fewer openings during the twenty-eight week period ended July 14, 2019 as compared to the same period in 2018.

Interest Expense, Net and Other

Interest expense, net and other was $2.2 million for the twelve weeks ended July 14, 2019, a decrease of $0.2 million, or 9.7%, from the same period in 2018. Interest expense, net and other was $5.4 million for the twenty-eight weeks ended July 14, 2019, a decrease of $0.4 million, or 6.9%, from the same period in 2018. The decrease was primarily related to recognizing a gain on the Company’s deferred compensation plan assets compared to a loss the same period a year ago. Our weighted average interest rate was 5.2% and 5.0% for the twelve week and twenty-eight weeks ended July 14, 2019, as compared to 4.5% and 4.3% for the twelve and twenty-eight weeks ended July 15, 2018.

Provision for Income Taxes

The effective tax benefit for the twelve weeks ended July 14, 2019 was 106.5%, compared to 71.6% benefit for the twelve weeks ended July 15, 2018. The effective tax benefit for the twenty-eight weeks ended July 14, 2019 and July 15, 2018 was 110.9% and 183.9%. The change in both the twelve and twenty-eight week effective tax benefits are primarily due to the decrease in income compared to the same period a year ago.

Liquidity and Capital Resources

Cash and cash equivalents increased 7.6 million to $26.2 million at July 14, 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):

	Twenty-Eight Weeks Ended	
	July 14, 2019	**July 15, 2018**
Net cash provided by operating activities	$ 41,746	$ 77,020
Net cash used in investing activities	(20,990)	(27,204)
Net cash used in financing activities	(13,246)	(44,638)
Effect of exchange rate changes on cash	115	(996)
Net change in cash and cash equivalents	$ 7,625	$ 4,182

Operating Cash Flows

Net cash flows provided by operating activities decreased $35.3 million to $41.7 million for the twenty-eight weeks ended July 14, 2019. The changes in net cash provided by operating activities are primarily attributable to a $14.4 million decrease in profit from operations for the twenty-eight weeks ended July 14, 2019 compared to the same period in 2018, as well as changes in working capital as presented in the condensed consolidated statements of cash flows.

Investing Cash Flows

Net cash flows used in investing activities decreased $6.2 million to $21.0 million for the twenty-eight weeks ended July 14, 2019, as compared to $27.2 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 twenty-eight weeks ended July 14, 2019 (in thousands):

	Twenty-Eight Weeks Ended July 14, 2019
Investment in technology infrastructure	$ 11,862
Restaurant maintenance capital	8,331
New restaurants	975
Total capital expenditures	$ 21,168

Financing Cash Flows

Cash used in financing activities decreased $31.4 million to $13.2 million for the twenty-eight weeks ended July 14, 2019, as compared to the same period in 2018. The decrease primarily resulted from a $32.9 million decrease in net repayments made on long-term debt, offset by $1.5 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. On August 19, 2019, the Company entered into a second amendment (the "Amendment") to the Credit Facility.

The Amendment increases the lease adjusted leverage ratio to 5.0x through December 29, 2019 before returning to 4.75x thereafter. In addition, the Amendment revises the definition of permitted acquisitions under the Credit Facility to correspond with the change to the lease adjusted leverage ratio and clarifies the classification of existing capital and operating leases. A copy of the Amendment is filed as Exhibit 10.2 to this Quarterly Report on Form 10-Q.

The Company's lease adjusted leverage ratio was 4.30x as of July 14, 2019. The lease adjusted leverage ratio is defined in Section 1.1 of the Company's credit facility, which is filed as Exhibit 10.32 to the Annual Report on Form 10-K filed on February 21, 2017.

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 July 14, 2019, the Company had outstanding borrowings under the Credit Facility of $180.5 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. As of July 14, 2019, we had unused borrowing capacity under the Credit Facility of approximately $237.1 million.

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 July 14, 2019, we were in compliance with all debt covenants.

Debt Outstanding. Total debt outstanding decreased $12.0 million to $181.4 million at July 14, 2019, from $193.4 million at December 30, 2018, due to net repayments of $12.0 million on the Credit Facility during the twenty-eight weeks ended July 14, 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 twelve and twenty-eight weeks ended July 14, 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; the impact of our recent adoption of a shareholder rights plan; 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 July 14, 2019, we had $180.5 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

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or 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 twelve weeks ended July 14, 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 second 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
5/20/19-6/16/19	5,800	27.41	79,600	72,393
6/17/19-7/14/19	11,100	30.83	90,700	72,051
Pursuant to Publicly Announced Plans or Programs[2]	48,100			

(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 90,700 shares for a total of $2.9 million.

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ITEM 6. Exhibits

Exhibit Number	Description
3.1	Certificate of Designation of Series A Junior Participating Preferred Stock of Red Robin Gourmet Burgers, Inc. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on June 5, 2019.
4.1	Rights Agreement, dated as of June 4, 2019, between Red Robin Gourmet Burgers, Inc. and America Stock Transfer & Trust Company, LLC, as Rights Agent. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on June 5, 2019.
10.1	Amendment to Employment Agreement, by and between Red Robin Gourmet Burgers, Inc. and Lynn S. Schweinfurth, dated as of June 11, 2019.
10.2	Second Amendment to Credit Agreement, dated August 19, 2019.
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 July 14, 2019 formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at July 14, 2019 and December 30, 2018; (ii) Condensed Consolidated Statements of Operations and Comprehensive Income for the twelve and twenty-eight weeks ended July 14, 2019 and July 15, 2018; (iii) Condensed Consolidated Statements of Stockholders' Equity at July 14, 2019 and December 30, 2018; (iv) Condensed Consolidated Statements of Cash Flows for the twenty-eight weeks ended July 14, 2019 and July 15, 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.

		RED ROBIN GOURMET BURGERS, INC. (Registrant)
August 23, 2019	By:	/s/ Lynn S. Schweinfurth
(Date)		Lynn S. Schweinfurth *(Chief Financial Officer)*

EXHIBIT 10.1

AMENDMENT TO EMPLOYMENT AGREEMENT

(Lynn S. Schweinfurth)

This Amendment to Employment Agreement (this "Amendment") is effective as of June 11, 2019, by and between RED ROBIN GOURMET BURGERS, INC., a Delaware corporation (the "Company") and Lynn S. Schweinfurth ("Executive"). Reference is made to that certain Employment Agreement by and between the Company and Executive made as of the 31st day of December, 2018 (hereinafter referred to as the "Employment Agreement"). All capitalized terms not defined herein shall have the meaning assigned to such terms in the Employment Agreement. The Company and Executive are referred to in this Amendment collectively as the "Parties."

WHEREAS, the Parties desire to amend certain terms of the Employment Agreement as set forth below.

NOW, THEREFORE, in consideration of the promises and mutual covenants and agreements herein contained and intending to be legally bound hereby, the Parties hereby agree as follows:

1. Amendment to Section 3. Section 3(e)(v) of the Employment Agreement regarding Moving and Relocation Expenses is hereby amended to replace "$100,000" with "$190,000."

2. No Other Changes. Except as modified or supplemented by this Amendment, the Employment Agreement remains unmodified and in full force and effect.

3. Miscellaneous.

(a) Governing Law. This Amendment and the legal relations hereby created between the Parties 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. 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 Amendment; however the Company is not limited in seeking relief in those courts.

(b) Binding Effect. This Amendment is intended to bind and inure to the benefit of and be enforceable by Executive, the Company and their respective heirs, successors and assigns, except that Executive may not assign her rights or delegate her obligations hereunder without the prior written consent of the Company.

(c) Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

(d) Savings Clause. If any provision of this Amendment or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of this Amendment or the Employment Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Amendment and the Employment Agreement are declared to be severable. Subject to the foregoing, upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Amendment so as to effect the original intent of the Parties as closely as possible in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent reasonably practicable.

IN WITNESS WHEREOF, the Parties have caused this Amendment to the Employment Agreement to be executed as of the date first above written.

RED ROBIN GOURMET BURGERS, INC.

By: /s/ Pattye L. Moore
Name: Pattye L. Moore
Title: Interim President & Chief Executive Officer

EXECUTIVE:

/s/ Lynn S. Schweinfurth
Lynn S. Schweinfurth

EXHIBIT 10.2

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (this "Agreement"), dated as of August 19, 2019, is by and among RED ROBIN INTERNATIONAL, INC., a Nevada corporation (the "Borrower"), RED ROBIN GOURMET BURGERS, INC., a Delaware corporation (the "Parent"), the Guarantors, the Lenders party hereto, and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as administrative agent on behalf of the Lenders under the Credit Agreement (as hereinafter defined) (in such capacity, the "Administrative Agent").

W I T N E S S E T H

WHEREAS, the Borrower, the Parent, the other Guarantors, the Lenders from time to time party thereto, and the Administrative Agent are parties to that certain Credit Agreement dated as of June 30, 2016 (as amended by that certain First Amendment to Credit Agreement dated as of April 13, 2017 and as further amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement"; capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement, as amended hereby);

WHEREAS, the Credit Parties have requested that the Lenders make certain amendments to the Credit Agreement as set forth herein; and

WHEREAS, the Lenders have agreed to amend the Credit Agreement subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

AMENDMENTS TO CREDIT AGREEMENT

1.1 Amendment to "Permitted Acquisition". Clause (b) of the definition of "Permitted Acquisition" in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(b) the Credit Parties shall demonstrate to the reasonable satisfaction of the Administrative Agent that (i) the Credit Parties will be in compliance on a Pro Forma Basis upon the consummation of any such acquisition with all of the terms and provisions of the financial covenants set forth in Section 5.9 and (ii) on a Pro Forma Basis upon the consummation of any such acquisition, the Lease Adjusted Leverage Ratio shall be less than 4.50 to 1.00,

1.2 Amendment to Section 1.1. Section 1.1 of the Credit Agreement is hereby amended by inserting the following new definitions in the appropriate alphabetical order therein:

"Second Amendment Effective Date" shall mean August 19, 2019.

1.3 Amendment to Section 1.3. Section 1.3 of the Credit Agreement is hereby amended by inserting the following paragraph at the end of such Section:

All leases of any Person that were or would have been characterized as Operating Leases in accordance with GAAP immediately prior to the date on which such Person adopted Accounting Standards Update No. 2016-02 by the Financial Accounting Standards Board ("ASU 2016-02") (whether or not such leases were in effect on such date) shall be accounted for as Operating Leases (and not as Capital Leases) for purposes of this Agreement and any determination of whether a lease is a Capital Lease or an Operating Lease shall exclude the effect of the adoption of ASU 2016-02 or any related promulgation or accounting standards such that "Capital Leases" shall specifically exclude liabilities that were considered operating lease liabilities under GAAP prior to the adoption of ASU 2016-02 or any related promulgation or accounting standard, and all calculations and deliverables (other than financial statements) under this Agreement or any other Credit Document shall be made or delivered, as applicable, without giving effect thereto; provided that all compliance certificates delivered to the Administrative Agent pursuant to Section 5.1(c) of this Agreement shall contain a schedule showing the modifications necessary to reconcile the adjustments made pursuant to this paragraph with the related financial statements.

1.4 Amendment to Section 5.9(a). Section 5.9(a) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(a) Lease Adjusted Leverage Ratio. As of the last day of any fiscal quarter of the Parent ending during the periods specified below, the Lease Adjusted Leverage Ratio shall be less than or equal to the corresponding ratio set forth below:

Period	**Maximum Ratio**
Second Amendment Effective Date through December 29, 2019 (the last day of the fourth fiscal quarter of the 2019 fiscal year of the Parent)	5.00 to 1.00
December 30, 2019 (the first day of the first fiscal quarter of the 2020 fiscal year of the Parent) and thereafter	4.75 to 1.00

ARTICLE II

CONDITIONS

2.1 Closing Conditions. This Agreement shall become effective upon the satisfaction of the following conditions precedent:

(a) Execution of Agreement. The Administrative Agent shall have received a copy of this Agreement duly executed by the Borrower, the other Credit Parties, the Administrative Agent and the Required Lenders.

(b) Fees and Out of Pocket Costs. The Borrower shall have paid any and all reasonable, documented out-of-pocket costs incurred by the Administrative Agent (including the fees and expenses Moore & Van Allen, PLLC as legal counsel to the Administrative Agent) and all other fees and amounts required to be paid to the Administrative Agent in connection with this Agreement to the extent invoiced prior to the date hereof.

ARTICLE III

MISCELLANEOUS

3.1 Amended Terms. On and after the date hereof, all references to the Credit Agreement in each of the Credit Documents shall hereafter mean the Credit Agreement as amended by this Agreement. Except as specifically amended hereby or otherwise agreed, the Credit Agreement is hereby ratified and confirmed and shall remain in full force and effect according to its terms.

3.2 Representations and Warranties of Credit Parties. Each of the Credit Parties represents and warrants as follows:

(a) Each of the Credit Parties has full corporate power, authority and right to execute, deliver and perform this Agreement and has taken all necessary limited liability company or corporate action to authorize the execution, delivery and performance by it of this Agreement.

(b) This Agreement has been duly executed and delivered on behalf of each of the Credit Parties. This Agreement constitutes a legal, valid and binding obligation of each of the Credit Parties, enforceable against such Credit Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(c) No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the execution, delivery or performance of this Agreement by the Credit Parties (other than those which have been obtained) or with the validity or enforceability of this Agreement against the Credit Parties.

(d) The representations and warranties made by the Credit Parties in the Credit Agreement, in the Security Documents or which are contained in any certificate furnished at any time under or in connection with the Credit Agreement are true and correct on and as of the date hereof as if made on and as of such date, except for representations and warranties expressly stated to relate to a specific earlier date.

(e) No Default or Event of Default has occurred and is continuing on the date hereof.

(f) The Security Documents continue to create a valid security interest in, and Lien upon, the Collateral purported to be covered thereby, in favor of the Administrative Agent, for the benefit of the holders of the Secured Obligations, which security interests and Liens are perfected in accordance with the terms of the Security Documents and prior to all Liens other than Permitted Liens.

(g)The Obligations of the Credit Parties are not reduced or modified by this Agreement (except as set forth herein) and, as of the date hereof, are not subject to any offsets, defenses or counterclaims.

3.3 Reaffirmation of Obligations. Each Credit Party hereby ratifies the Credit Agreement, as amended hereby, and each other Credit Document to which it is a party and acknowledges and reaffirms (a) that it is bound by all terms of the Credit Agreement, as amended hereby, and each other Credit Document to which it is a party applicable to it and (b) that it is responsible for the observance and full performance of its respective obligations under the Credit Documents.

3.4 Credit Document. This Agreement shall constitute a Credit Document under the terms of the Credit Agreement.

3.5 Entirety. This Agreement and the other Credit Documents embody the entire agreement among the parties hereto and supersede all prior agreements and understandings, oral or written, if any, relating to the subject matter hereof.

3.6 Expenses. The Borrower agrees to pay all reasonable costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Agreement, including without limitation the reasonable fees and expenses of the Administrative Agent's legal counsel.

3.7 Counterparts; Electronic Execution. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed signature page of this Agreement by facsimile transmission or other electronic means shall be effective as delivery of a manually executed counterparty hereof.

3.8 Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by, and construed and interpreted in accordance with, the law of the State of New York (INCLUDING SECTION 5-1401 AND SECTION 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK) WITHOUT REGARD TO CONFLICTS OR CHOICE OF LAW PRINCIPLES THAT WOULD REQUIRE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

3.9 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

3.10 Consent to Jurisdiction; Service of Process; Waiver of Jury Trial. The jurisdiction, services of process and waiver of jury trial provisions set forth in Section 9.14 and Section 9.17 of the Credit Agreement and the limitation of liability provisions of Section 9.5(b) of the Credit Agreement are hereby incorporated by reference, *mutatis mutandis*.

[Signature pages to follow]

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed on the date first above written.

BORROWER:

RED ROBIN INTERNATIONAL, INC.,
a Nevada corporation

By: /s/ Lynn Schweinfurth
Name: Lynn Schweinfurth
Title: President and Treasurer

GUARANTORS:

RED ROBIN GOURMET BURGERS, INC.,

a Delaware corporation

By: /s/ Lynn Schweinfurth
Name: Lynn Schweinfurth
Title: Executive Vice President and Chief Financial Officer

RED ROBIN WEST, INC.,

a Nevada corporation

By: /s/ Kristi Belhumeur
Name: Kristi Belhumeur
Title: President, Treasurer, Chief Executive Officer and Chief Financial Officer

WESTERN FRANCHISE DEVELOPMENT, INC.,

a California corporation

By: /s/ Kristi Belhumeur
Name: Kristi Belhumeur
Title: President and Treasurer

RED ROBIN DISTRIBUTING COMPANY LLC,

a Nevada limited liability company

By: /s/ Kristi Belhumeur
Name: Kristi Belhumeur
Title: Manager

NORTHWEST ROBINS, L.L.C.,

a Washington limited liability company

By: RED ROBIN INTERNATIONAL, INC.,
Sole Member and Manager of Northwest Robins, L.L.C.

By: /s/ Lynn Schweinfurth

Name: Lynn Schweinfurth

Title: President and Treasurer

RED ROBIN EXPRESS, LLC,

a Colorado limited liability company

By: /s/ Kristi Belhumeur
Name: Kristi Belhumeur
Title: Manager

RED ROBIN NORTH HOLDINGS, INC.,

a Nevada corporation

By: /s/ Kristi Belhumeur
Name: Kristi Belhumeur
Title: President and Treasurer

ADMINISTRATIVE AGENT AND LENDERS:

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as Administrative Agent and a Lender

By: /s/ Maureen Malphus
Name: Maureen Malphus
Title: Vice President

BANK OF AMERICA, N.A.,

as a Lender

By: /s/ Anthony Luppino
Name: Anthony Luppino
Title: Senior Vice President

BBVA USA,

as a Lender

By: /s/ Joseph W. Nimmons

Name: Joseph W. Nimmons

Title: Senior Vice President

COOPERATIEVE RABOBANK U.A., NEW YORK BRANCH,

as a Lender

By: /s/ Piet Hein Knook

Name: Piet Hein Knook

Title: Vice President

By: /s/ Timothy J Devane

Name: Timothy J Devane

Title: Executive Director

U.S. BANK NATIONAL ASSOCIATION,

as a Lender

By: /s/ Glenn Leyrer
Name: Glenn Leyrer
Title: Vice President

JPMORGAN CHASE BANK, N.A.,

as a Lender

By: /s/ Marshall Trenkmann
Name: Marshall Trenkmann
Title: Executive Director

JPMORGAN CHASE BANK, N.A. (TORONTO BRANCH),

as a Lender

By: /s/ Michael Tam
Name: Michael Tam
Title: Authorized Officer

Exhibit 31.1

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.

August 23, 2019	/s/ Pattye L. Moore
(Date)	Pattye L. Moore *Chief Executive Officer*

Exhibit 31.2

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.

August 23, 2019	/s/ Lynn S. Schweinfurth
(Date)	Lynn S. Schweinfurth *Chief Financial Officer*

Exhibit 32.1

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 July 14, 2019, as filed with the Securities and Exchange Commission on August 23, 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 July 14, 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:	August 23, 2019	/s/ Pattye L. Moore Pattye L. Moore *Chief Executive Officer*
Dated:	August 23, 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.