

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 1, 2023
RED ROBIN GOURMET BURGERS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34851
(Commission
File Number)

84-1573084
(IRS Employer
Identification No.)

10000 E. Geddes Avenue, Suite 500
Englewood, Colorado 80112
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(303) 846-6000**

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

ITEM 2.02 Results of Operations and Financial Condition

On November 1, 2023, Red Robin Gourmet Burgers, Inc. (the "Company") issued a press release describing selected financial results for the third fiscal quarter ended October 1, 2023. A copy of this press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information in this Item 2.02, including the information set forth in Exhibit 99.1 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

ITEM 9.01 Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Red Robin Gourmet Burgers, Inc. Press Release dated November 1, 2023
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RED ROBIN GOURMET BURGERS, INC.

Date: November 1, 2023

By:

Name:

Title:

/s/ Todd Wilson

Todd Wilson

Chief Financial Officer

Red Robin Gourmet Burgers, Inc. Reports Results for the Fiscal Third Quarter Ended October 1, 2023

***"North Star" Five-Point Plan Continues to Gain Traction
Repaid \$8.4 Million of Debt and Repurchased \$5 Million of Stock***

Englewood, CO – November 1, 2023 – Red Robin Gourmet Burgers, Inc. (NASDAQ: RRGB) ("Red Robin" or the "Company"), a full-service restaurant chain serving an innovative selection of high-quality gourmet burgers in a family-friendly atmosphere, today reported financial results for the fiscal third quarter ended October 1, 2023.

Highlights for the Third Quarter of Fiscal 2023, Compared to the Third Quarter of Fiscal 2022:

- Total revenues are \$277.6 million, a decrease of \$9.2 million.
 - Comparable restaurant revenue⁽¹⁾ decreased 3.4%.
 - Comparable restaurant dine-in sales⁽²⁾ increased 0.5%.
- Net loss is \$8.2 million, a decrease of \$4.5 million from a net loss of \$12.7 million during the same period of 2022.
- Adjusted EBITDA⁽³⁾ (a non-GAAP metric) is \$6.8 million, a \$2.9 million increase.
- Completed Sale-Leaseback transaction for nine restaurants, generating net proceeds of approximately \$30.4 million and a gain, net of expenses of \$14.9 million.
- Repaid \$8.4 million of debt and repurchased \$5.0 million of stock.

Highlights for the Year-to-Date Period of Fiscal 2023, Compared to the Year-to-Date Period of Fiscal 2022:

- Total revenues are \$994.0 million, an increase of \$18.1 million.
 - Comparable restaurant revenue⁽¹⁾ increased 2.9%.
 - Comparable restaurant dine-in sales⁽²⁾ increased 8.4%.
- Net loss is \$7.5 million, a decrease of \$26.7 million from a net loss of \$34.2 million during the same period of 2022.
- Adjusted EBITDA⁽³⁾ (a non-GAAP metric) is \$58.3 million, a \$14.5 million increase.
- Completed two Sale-Leaseback transactions for eighteen restaurants, generating net proceeds of \$58.8 million and a gain, net of expenses of \$29.4 million.
- Repaid \$24.9 million of debt and repurchased \$10.0 million of stock.

⁽¹⁾ Comparable restaurant revenue represents revenue from Company-owned restaurants that have operated five full quarters as of the end of the period presented. For the twelve and forty weeks ended October 1, 2023 there were 409 and 408 comparable restaurants, respectively, out of the total 417 Company-owned restaurants.

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

⁽³⁾ See Schedule III for a reconciliation of Adjusted EBITDA, a non-GAAP measure, to Net income (loss).

G.J. Hart, Red Robin's President and Chief Executive Officer said, "We have made tremendous progress in 2023, first investing in people and hospitality and recently launching quality upgrades to ingredients and offerings across our menu. The enhancements we are making across all touch points continue to resonate with our guests resulting in increases in satisfaction, and we expect will ultimately drive increased traffic counts."

Hart continued, "We anticipated a headwind in sales and traffic in the second half of 2023, as we unwind the deep discounting and promotional activity from 2022 and discontinue virtual brands. This intentional shift supports execution of the great Red Robin experience we expect to deliver to every guest, and is another step to building long term, sustainable traffic. We are pleased to see traffic trends improving to start the fourth quarter. Through the first four weeks of the fourth quarter, comparable restaurant traffic trends have improved 300 basis points as compared to the final four weeks of the third quarter, led by dine-in traffic."

Hart concluded, "I am incredibly proud of our team and their work. We have invested back into the business while delivering significant gains in financial results. Year-to-date, comparable restaurant revenue increased 2.9% and Adjusted EBITDA increased to \$58.3 million from \$43.7 million last year. I am more confident than ever in the comeback of this iconic brand."

Third Quarter 2023 Financial Summary

The following table presents financial results for the third fiscal quarter of 2023, compared to results from the same period in 2022:

	Twelve Weeks Ended	
	October 1, 2023	October 2, 2022
Total revenues (millions)	\$ 277.6	\$ 286.8
Restaurant revenues (millions)	273.1	282.4
Net income (loss) (millions)	(8.2)	(12.7)
Income (loss) from operations (millions)	(1.9)	(8.1)
Income (loss) from operations as a percent of total revenues	(0.7)%	(2.8)%
Restaurant Level Operating Profit (millions) ⁽¹⁾	\$ 30.4	\$ 35.6
Restaurant Level Operating Profit Margin ⁽¹⁾	11.1 %	12.6 %
Adjusted EBITDA (millions) ⁽²⁾	\$ 6.8	\$ 3.9
Net income (loss) per diluted share (\$ per share)	\$ (0.52)	\$ (0.80)
Adjusted income (loss) per diluted share (\$ per share) ⁽³⁾	\$ (0.79)	\$ (1.04)

⁽¹⁾ See Schedule II for a reconciliation of Restaurant Level Operating Profit and Restaurant Level Operating Profit Margin, non-GAAP measures, to Income (loss) from operations and Income (loss) from operations as a percentage of total revenues, respectively.

⁽²⁾ See Schedule III for a reconciliation of Adjusted EBITDA, a non-GAAP measure, to Net income (loss).

⁽³⁾ See Schedule I for a reconciliation of Adjusted income (loss) per diluted share, a non-GAAP measure, to Net income (loss) per diluted share.

Balance Sheet and Liquidity

During the third quarter of fiscal 2023, the Company repaid \$8.4 million of debt. As of October 1, 2023, Red Robin had outstanding borrowings under its credit facility of \$189.1 million, in addition to amounts issued under letters of credit of \$11.7 million, and liquidity of approximately \$73.6 million, including cash and cash equivalents and available borrowing capacity under its credit facility.

Share Repurchase Activity

During the third quarter of fiscal 2023, the Company repurchased 480,071 shares of stock under its existing \$75 million share repurchase program at an average price of \$10.33 for a total of approximately \$5.0 million. This repurchase substantially completes the \$10 million maximum amount permitted under the Company's current Credit Agreement.

Sale-Leaseback Activity

During the third quarter of fiscal 2023, the Company completed a \$31.1 million Sale-Leaseback transaction with Essential Properties Realty Trust, Inc. (NYSE: EPRT) to sell and simultaneously lease-back nine owned properties. Net proceeds were used to repay debt, fund capital investments, and support share repurchase activity pursuant to the Company's Credit Agreement.

Also during the third quarter of fiscal 2023, the Company marketed a third tranche of owned properties for sale-leaseback and received positive interest and multiple bids from investors. The Company continues to engage with the top bidders, evaluate a potential transaction and may select a winning bid in the fourth quarter. If completed, the Company expects net proceeds will be used to repay debt, pursuant to the Company's Credit Agreement.

Outlook for Fiscal 2023 and Guidance Policy

The Company provides guidance of select information related to the Company's financial and operating performance, and such measures may differ from year to year. The projections are as of this date and Red Robin assumes no obligation to update or supplement this information.

The Company's Initial, Prior, and Current guidance metrics are as follows:

	Initial Guidance February 28, 2023	Prior Guidance August 15, 2023	Current Guidance November 1, 2023
Total Revenue	Approximately \$1.3 billion	At least \$1.3 billion	At least \$1.3 billion
Comparable Restaurant Revenue	N/A	Increase 1.0% to 3.0%	Increase 1.0% to 3.0%
Restaurant Level Operating Profit ⁽¹⁾ , inclusive of investments in the guest experience	At least 13.0%	At least 13.5%	13.0% to 13.5%
Selling, general and administrative costs, inclusive of incentive compensation costs	\$120 to \$125 million	\$127 to \$132 million	\$123 to \$127 million
Capital expenditures	\$35 to \$40 million	\$45 to \$50 million	\$45 to \$50 million
Adjusted EBITDA ⁽¹⁾	\$62.5 to \$72.5 million	\$72.5 to \$82.5 million	\$72.5 to \$77.5 million

Fiscal 2023 includes 53 weeks versus 52 weeks in fiscal 2022.

⁽¹⁾ The Company has not provided a reconciliation of its Restaurant Level Operating Profit or Adjusted EBITDA outlook to the most comparable GAAP measure of Income from operations and Net income, respectively. Providing Income (loss) from operations and Net Income (loss) guidance is potentially misleading and not practical given the difficulty of projecting event-driven transactional and other non-core operating items that are included in Income from operations and Net income (loss), including asset impairments and income tax valuation adjustments. The reconciliations of Restaurant Level Operating Profit and Adjusted EBITDA to Income from operations and Net income (loss), respectively, for the historical periods presented herein is indicative of the reconciliations that will be prepared upon completion of the periods covered by the non-GAAP guidance. Please refer to the historical period Reconciliation of Income from operations to Restaurant Level Operating Profit and Net income (loss) to EBITDA and Adjusted EBITDA included on Schedule II and Schedule III of this release.

Investor Conference Call and Webcast

Red Robin will host an investor conference call to discuss financial results for its third quarter of fiscal 2023 and outlook for fiscal 2023 today at 4:30 p.m. ET. The conference call can be accessed live over the phone by dialing 201-689-8560 which will be answered by an operator or by clicking Call Me™.

The conference call should be accessed at least 10 minutes prior to its scheduled start.

A replay will be available from approximately two hours after the end of the conference call and can be accessed by dialing 412-317-6671; the conference ID is 13741958. The replay will be available through Wednesday, November 8, 2023.

The call will be webcast live and later archived from the Company's Investor Relations website.

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

Red Robin Gourmet Burgers, Inc. (www.redrobin.com), is a casual dining restaurant chain founded in 1969 that operates through its wholly-owned subsidiary, Red Robin International, Inc., and under the trade name, Red Robin Gourmet Burgers and Brews. We believe nothing brings people together like burgers and fun around our table, and no one makes moments of connection over craveable food more memorable than Red Robin. We serve a variety of burgers and mainstream favorites to guests of all ages in a casual, playful atmosphere. In addition to our many burger offerings, Red Robin serves a wide array of salads, appetizers, entrees, desserts, signature beverages and Donatos® pizza at select locations. It's now easy to enjoy Red Robin anywhere with online ordering available for to-go, delivery and catering, or you can download our new app for easy customization, access to the Red Robin Royalty® dashboard and more. There are more than 500 Red Robin restaurants across the United States and Canada, including those operating under franchise agreements. Red Robin... YUMMM®!

Forward-Looking Statements

Forward-looking statements in this press release regarding the Company's future performance; the implementation of the Company's "North Star" plan and the anticipated impacts thereof; expense management; product quality; our anticipated investments including in labor, kitchen equipment, product enhancement, and the renovation program, and the anticipated impacts of such investments on guest satisfaction and profitability; our ability to complete Sale-Leaseback transactions and anticipated uses of the proceeds of such transaction; planned and potential future transactions including additional Sale-Leaseback transactions; our strategies; guest experience and shareholder value; anticipated uses of capital and planned investments in technology platforms; continued guest demand for dine-in and off-premise offerings; our expectations for sales and traffic; the impact of industry labor and supply chain challenges and inflationary pressures; statements under the heading "Outlook for Fiscal 2023 and Guidance Policy," including with respect to total revenue, net income, comparable restaurant revenue, restaurant level operating profit, selling, general and administrative costs, capital expenditures and Adjusted EBITDA; our ability to mitigate cost inflation; and all other statements that are not historical facts are made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on assumptions believed by the Company to be reasonable and speak only as of the date on which such statements are made. Without limiting the generality of the foregoing, words such as "expect," "believe," "anticipate," "intend," "plan," "project," "could," "should," "will," "outlook" or "estimate," or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. Except as required by law, the Company undertakes no obligation to update such statements to reflect events or circumstances arising after such date and cautions investors not to place undue reliance on any such forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those described in the statements based on a number of factors, including but not limited to the following: the risk that our financial performance for Q4 2023 is different than our forecast, which is informed by trends in the first four weeks of the quarter; the effectiveness of the Company's strategic initiatives, including our "North Star" plan, labor and service models, and operational improvement initiatives and our ability to execute on such strategic initiatives; our ability to recruit, staff, train, and retain our workforce; the effectiveness and timing of the Company's marketing strategies and promotions; menu changes and pricing strategy; anticipated sales growth, costs, including timing of the Donatos® expansion; the implementation, rollout, and timing of new technology solutions; risks associated with the transition and retention of our key personnel; risks associated with our completed and potential future Sale-Leaseback transactions; risks associated with our share repurchase program, including that we are not obligated to acquire any particular amount of our common stock thereunder; risks associated with the acquisition of additional restaurants; our ability to achieve revenue and cost savings from off-premises sales and other initiatives; competition in the casual dining market and discounting by competitors; changes in consumer spending trends and habits; changes in the availability and cost of food products, labor, and energy; general economic and operating conditions, including changes in consumer disposable income, weather conditions, and other events affecting the regions where our restaurants are operated; the adequacy of cash flows and the cost and availability of capital or credit facility borrowings; changes in federal, state, or local laws and regulations affecting the operation of our restaurants, including minimum wage and tip credit regulations, consumer and occupational health and safety regulations, health insurance coverage and other benefits, nutritional disclosures, and employment eligibility-related documentation requirements; costs and other effects of legal claims by Team Members, franchisees, customers, vendors, stockholders, and others, including negative publicity regarding food safety or cyber security; the impact of any future public health emergencies; and other risk factors described from time to time in the Company's Form 10-K, Form 10-Q, and Form 8-K reports (including all amendments to those reports) filed with the U.S. Securities and Exchange Commission.

For media relations questions contact:

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For investor relations questions contact:

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(203) 682-8253

Comparable Restaurant Revenue

The following table presents the percentage change in comparable restaurant revenue in the first and second quarter, and year to date period of fiscal 2023:

	Comparable Restaurant Increase (Decrease) Versus Prior Year		
	Q2 2023	Q3 2023	Year to Date, October 1, 2023
Guest Traffic	(6.0)%	(10.4)%	(4.6) %
Average Guest Check			
Menu Price Increase	8.8 %	7.7 %	7.9 %
Menu Mix	(2.1)%	(2.8)%	(1.3) %
Discounts	0.8 %	2.1 %	0.9 %
Total Guest Check	7.5 %	7.0 %	7.5 %
Total Change in Comparable Restaurant Revenue	1.5 %	(3.4)%	2.9 %

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

	Twelve Weeks Ended		Forty Weeks Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
Revenues:				
Restaurant revenue	\$ 273,133	\$ 282,415	\$ 973,307	\$ 951,633
Franchise and other revenues	4,427	4,390	20,713	24,302
Total revenues	<u>277,560</u>	<u>286,805</u>	<u>994,020</u>	<u>975,935</u>
Costs and expenses:				
Restaurant operating costs (excluding depreciation and amortization shown separately below):				
Cost of sales	65,128	70,640	236,171	234,283
Labor	103,741	100,522	358,841	340,273
Other operating	50,351	52,858	174,243	172,725
Occupancy	23,523	22,828	76,806	76,406
Depreciation and amortization	14,672	17,368	52,253	58,924
General and administrative	19,190	21,498	66,656	64,665
Selling	8,771	14,194	22,692	37,503
Pre-opening and acquisition costs	—	217	586	514
Other charges (gains), net	(5,878)	(5,217)	(6,726)	8,236
Total costs and expenses	<u>279,498</u>	<u>294,908</u>	<u>981,522</u>	<u>993,529</u>
Income (loss) from operations	(1,938)	(8,103)	12,498	(17,594)
Other expense:				
Interest expense, net and other	5,945	4,590	19,541	16,151
Loss before income taxes	(7,883)	(12,693)	(7,043)	(33,745)
Income tax provision (benefit)	278	(43)	453	453
Net loss	<u>\$ (8,161)</u>	<u>\$ (12,650)</u>	<u>\$ (7,496)</u>	<u>\$ (34,198)</u>
Loss per share:				
Basic	<u>\$ (0.52)</u>	<u>\$ (0.80)</u>	<u>\$ (0.47)</u>	<u>\$ (2.16)</u>
Diluted	<u>\$ (0.52)</u>	<u>\$ (0.80)</u>	<u>\$ (0.47)</u>	<u>\$ (2.16)</u>
Weighted average shares outstanding:				
Basic	<u>15,799</u>	<u>15,892</u>	<u>15,949</u>	<u>15,816</u>
Diluted	<u>15,799</u>	<u>15,892</u>	<u>15,949</u>	<u>15,816</u>

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

	October 1, 2023	December 25, 2022
Assets:		
Current assets:		
Cash and cash equivalents	\$ 48,550	\$ 48,826
Accounts receivable, net	11,819	21,427
Inventories	27,013	26,447
Income tax receivable	462	562
Prepaid expenses and other current assets	12,945	12,938
Restricted cash	12,268	9,380
Total current assets	<u>113,057</u>	<u>119,580</u>
Property and equipment, net	264,278	318,517
Operating lease assets, net	372,057	361,432
Intangible assets, net	17,114	17,727
Other assets, net	10,808	14,889
Total assets	<u>\$ 777,314</u>	<u>\$ 832,145</u>
Liabilities and stockholders' equity (deficit):		
Current liabilities:		
Accounts payable	\$ 30,020	\$ 39,336
Accrued payroll and payroll-related liabilities	37,828	33,666
Unearned revenue	31,980	46,944
Current portion of operating lease obligations	50,250	47,394
Current portion of long-term debt	875	3,375
Accrued liabilities and other	53,495	49,498
Total current liabilities	<u>204,448</u>	<u>220,213</u>
Long-term debt	182,142	203,155
Long-term portion of operating lease obligations	389,416	393,157
Other non-current liabilities	10,051	13,831
Total liabilities	<u>786,057</u>	<u>830,356</u>
Stockholders' equity (deficit):		
Common stock; \$0.001 par value; 45,000 shares authorized; 20,449 shares issued; 15,482 and 15,934 shares outstanding as of October 1, 2023 and December 25, 2022	20	20
Preferred stock, \$0.001 par value; 3,000 shares authorized; no shares issued and outstanding as of October 1, 2023 and December 25, 2022	—	—
Treasury stock 4,967 and 4,515 shares, at cost, as of October 1, 2023 and December 25, 2022	(176,813)	(182,810)
Paid-in capital	229,769	238,803
Accumulated other comprehensive loss, net of tax	(34)	(34)
Accumulated deficit	(61,685)	(54,190)
Total stockholders' equity (deficit)	<u>(8,743)</u>	<u>1,789</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 777,314</u>	<u>\$ 832,145</u>

Reconciliation of Non-GAAP Results to GAAP Results**Reconciliation of Net income (loss) to Non-GAAP Adjusted Net income (loss) and Adjusted income (loss) per share - diluted****(In thousands, except per share data, unaudited)**

In addition to the results provided in accordance with Generally Accepted Accounting Principles ("GAAP") throughout this press release, the Company has provided Adjusted net income (loss) and Adjusted loss per share - diluted, which are non-GAAP measurements which present the twelve and forty weeks ended October 1, 2023 and October 2, 2022. Net income (loss) and diluted loss per share, excluding the effects of change in estimate - gift card breakage, asset impairment, litigation contingencies, the write-off of unamortized debt issuance costs, restaurant closure costs, other financing costs, gain on sale leaseback, net of expenses, closed corporate office costs, net of sublease income, COVID-19 related charges, severance and executive transition costs, related income tax effects, and other. We have revised our definition of adjusted loss per diluted share to exclude gain on sale leaseback, net of expenses and other. We did not revise the prior year's adjusted loss per diluted share because there were no other charges similar in nature to these costs. The Company believes the presentation of net income (loss) and loss per share exclusive of the identified items gives the reader additional insight into the ongoing operational results of the Company. Management believes this supplemental information will assist with comparisons of past and future financial results against the present financial results presented herein. Income tax effect of reconciling items was calculated based on the change in the total tax provision calculation after adjusting for the identified item. The non-GAAP measurements are intended to supplement the presentation of the Company's financial results in accordance with GAAP.

	Twelve Weeks Ended		Forty Weeks Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
Net income (loss) as reported	\$ (8,161)	\$ (12,650)	\$ (7,496)	\$ (34,198)
Gain on sale leaseback, net of expenses	(14,883)	—	(29,413)	—
Gain on sale of restaurant property	—	(9,204)	—	(9,204)
Litigation contingencies	3,600	133	9,140	47
Restaurant closure costs, net	(91)	(1,570)	1,546	309
Severance and executive transition	341	1,825	3,195	1,954
Asset impairment	4,800	2,187	7,187	13,048
Other ⁽¹⁾	277	—	1,366	—
Closed corporate office costs, net of sublease income	78	267	253	267
Other financing costs ⁽²⁾	—	1,022	—	1,392
COVID-19 related charges	—	123	—	423
Change in estimate, gift card breakage ⁽³⁾	—	—	—	(5,246)
Write-off of unamortized debt issuance costs ⁽⁴⁾	—	—	—	1,727
Income tax expense	1,528	1,356	1,749	(1,226)
Adjusted net income (loss)	\$ (12,511)	\$ (16,511)	\$ (12,473)	\$ (30,707)
Basic loss per share:				
Net income (loss) as reported	\$ (0.52)	\$ (0.80)	\$ (0.47)	\$ (2.16)
Gain on sale leaseback, net of expenses	(0.94)	—	(1.84)	—
Gain on sale of restaurant property	—	(0.58)	—	(0.58)
Litigation contingencies	0.23	0.01	0.57	—
Change in estimate, gift card breakage	(0.01)	(0.10)	0.10	0.02
Restaurant closure costs, net	0.02	0.11	0.20	0.12
Write-off of unamortized debt issuance cost	0.30	0.14	0.45	0.82
Severance and executive transition	0.02	—	0.09	—
Income tax expense	—	0.02	0.02	0.02
Asset impairment	—	0.06	—	0.09
Other	—	0.01	—	0.03
Other financing costs	—	—	—	(0.33)
COVID-19 related charges	—	—	—	0.11
Closed corporate office costs, net of sublease income	0.10	0.09	0.11	(0.08)
Adjusted loss per share - basic	\$ (0.79)	\$ (1.04)	\$ (0.78)	\$ (1.94)
Diluted loss per share:				
Net income (loss) as reported	\$ (0.52)	\$ (0.80)	\$ (0.47)	\$ (2.16)
Gain on sale leaseback, net of expenses	(0.94)	—	(1.84)	—
Gain on sale of restaurant property	—	(0.58)	—	(0.58)
Litigation contingencies	0.23	0.01	0.57	—
Restaurant closure costs, net	(0.01)	(0.10)	0.10	0.02
Severance and executive transition	0.02	0.11	0.20	0.12
Asset impairment	0.30	0.14	0.45	0.82
Other	0.02	—	0.09	—
Closed corporate office costs, net of sublease income	—	0.02	0.02	0.02
Other financing costs	—	0.06	—	0.09
COVID-19 related charges	—	0.01	—	0.03
Change in estimate, gift card breakage	—	—	—	(0.33)
Write-off of unamortized debt issuance costs	—	—	—	0.11
Income tax expense	0.10	0.09	0.11	(0.08)
Adjusted income (loss) per share - diluted	\$ (0.79)	\$ (1.04)	\$ (0.78)	\$ (1.94)
Weighted average shares outstanding:				
Basic	15,799	15,892	15,949	15,816
Diluted ⁽⁵⁾	15,799	15,892	15,949	15,816

⁽¹⁾ Other primarily includes non-cash charges related to terminated capital projects and disposals, and certain insurance claim proceeds.

⁽²⁾ Other financing costs includes legal and other charges related to the refinancing of our prior credit agreement in the first quarter of fiscal year 2022.

⁽³⁾ During the forty weeks ended October 2, 2022, the Company re-evaluated the estimated redemption pattern related to gift cards. The impact comprises \$5.9 million included in Franchise royalties, fees, and other revenue partially offset by \$0.6 million in gift card commission costs included in Selling on the Condensed Consolidated Statements of Operations.

⁽⁴⁾ Write-off of unamortized debt issuance costs related to the remaining unamortized debt issuance costs related to our legacy credit agreement with the completion of the refinancing of our Credit Agreement in the first quarter of fiscal year 2022.

⁽⁵⁾ For the 12 weeks ending October 1, 2023 and 40 weeks ending October 1, 2022, the impact of dilutive shares is excluded in the calculations due to our net loss position. For diluted shares reported on the Condensed Consolidated Statement of Operations, the impact of dilutive shares is excluded due to the reported net loss for the quarter and year-to-date.

Reconciliation of Income (Loss) from Operations to Non-GAAP Restaurant-Level Operating Profit

(In thousands, unaudited)

The Company believes restaurant level operating profit is an important measure for management and investors because it is widely regarded in the restaurant industry as a useful metric by which to evaluate restaurant level operating efficiency and performance. The Company defines restaurant level operating profit to be income from operations less franchise royalties, fees and other revenue, plus other charges (gains), net, pre-opening costs, selling costs, general and administrative expenses, and depreciation and amortization. The measure includes restaurant level occupancy costs that include fixed rents, percentage rents, common area maintenance charges, real estate and personal property taxes, general liability insurance, and other property costs, but excludes depreciation and amortization expense, substantially all of which is related to restaurant level assets, because such expenses represent historical sunk costs which do not reflect current cash outlay for the restaurants. The measure also excludes selling costs and general and administrative expenses, and therefore excludes costs associated with selling, general, and administrative functions, and pre-opening costs. The Company excludes Other charges (gains), net because these costs are not related to the ongoing operations of its restaurants. Restaurant level operating profit is not a measurement determined in accordance with GAAP and should not be considered in isolation, or as an alternative, to income from operations or net income (loss) as indicators of financial performance. Restaurant level operating profit as presented may not be comparable to other similarly titled measures of other companies in the Company's industry.

	Twelve Weeks Ended				Forty Weeks Ended			
	October 1, 2023		October 2, 2022		October 1, 2023		October 2, 2022	
Income (loss) from operations	\$ (1,938)	(0.7)%	\$ (8,103)	(2.8)%	\$ 12,498	1.3%	\$ (17,594)	(1.8)%
Less:								
Franchise royalties, fees and other revenue	4,427	1.6%	4,390	1.5%	20,713	2.1%	24,302	2.5%
Add:								
Other charges, net	(5,878)	(2.1)	(5,217)	(1.8)	(6,726)	(0.7)	8,236	0.8
Pre-opening costs	—	—	217	0.1	586	0.1	514	0.1
Selling	8,771	3.2	14,194	4.9	22,692	2.3	37,503	3.8
General and administrative expenses	19,190	6.9	21,498	7.5	66,656	6.7	64,665	6.6
Depreciation and amortization	14,672	5.3	17,368	6.1	52,253	5.3	58,924	6.0
Restaurant-level operating profit	<u>\$ 30,390</u>		<u>\$ 35,567</u>		<u>\$ 127,246</u>		<u>\$ 127,946</u>	
Income (loss) from operations as a percentage of total revenues	(0.7)%		(2.8)%		1.3%		(1.8)%	
Restaurant-level operating profit margin (as a percentage of restaurant revenue)	11.1%		12.6%		13.1%		13.4%	

Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA

(In thousands, unaudited)

The Company believes the non-GAAP measures of EBITDA and adjusted EBITDA give the reader additional insight into the ongoing operational results of the Company, and it is intended to supplement the presentation of the Company's financial results in accordance with GAAP. We define EBITDA as net loss before interest expense, income taxes, and depreciation and amortization. Adjusted EBITDA further excludes the effects of change in accounting estimate - gift card breakage, asset impairment, litigation contingencies, restaurant closure costs, net, other financing costs, COVID-19 related charges, severance and executive transition costs, closed corporate office, net of sublease income, and gain of sale leaseback, net of expenses, and other. We have revised our definition of adjusted EBITDA to exclude gain of sale leaseback, net of expenses and other. We did not revise prior years' adjusted EBITDA because there were no other charges similar in nature to these costs. Other companies may define EBITDA and adjusted EBITDA differently, and as a result our measure of EBITDA and adjusted EBITDA may not be directly comparable to those of other companies. EBITDA and adjusted EBITDA should be considered in addition to, and not as a substitute for, net loss as reported in accordance with U.S. GAAP as a measure of performance.

	Twelve Weeks Ended		Forty Weeks Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
Net income (loss) as reported	\$ (8,161)	\$ (12,650)	\$ (7,496)	\$ (34,198)
Interest expense, net	5,885	4,419	19,766	15,137
Income tax provision (benefit)	278	(43)	453	453
Depreciation and amortization	14,672	17,368	52,253	58,924
EBITDA	12,674	9,094	64,976	40,316
Change in accounting estimate, gift card breakage	—	—	—	(5,246)
Other charges, net:				
Gain on sale leaseback, net of expenses	(14,883)	—	(29,413)	—
Gain on sale of restaurant property	—	(9,204)	—	(9,204)
Litigation contingencies	3,600	133	9,140	47
Restaurant closure costs, net	(91)	(1,570)	1,546	309
Severance and executive transition	341	1,825	3,195	1,954
Asset impairment	4,800	2,187	7,187	13,048
Other	277	—	1,366	—
Closed corporate office costs, net of sublease income	78	267	253	267
Other financing costs	—	1,022	—	1,392
COVID-19 related charges	—	123	—	423
Adjusted EBITDA	\$ 6,796	\$ 3,877	\$ 58,250	\$ 43,711