

CARROLS CORP
Form 10-Q
August 12, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended July 4, 2010

OR

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

Commission File Number: 001-33174

CARROLS RESTAURANT GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

16-1287774
(I.R.S. Employer
Identification No.)

968 James Street
Syracuse, New York
(Address of principal executive office)

13203
(Zip Code)

Registrant's telephone number, including area code: (315) 424-0513

Commission File Number: 001-06553

CARROLS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

16-0958146
(I.R.S. Employer
Identification Number)

968 James Street
Syracuse, New York
(Address of principal executive offices)

13203
(Zip Code)

Registrant's telephone number including area code: (315) 424-0513

Carrols Corporation meets the conditions set forth in General Instruction H(1) and is therefore filing this form with reduced disclosure format pursuant to General Instruction H(2).

Indicate by check mark whether either of the registrants (1) have 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 were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrants have submitted electronically and posted on their Corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers or smaller reporting companies. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Carrols Restaurant Group, Inc.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Carrols Corporation

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether either of the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 6, 2010, Carrols Restaurant Group, Inc. had 21,623,534 shares of its common stock, \$.01 par value, outstanding. As of August 6, 2010, all outstanding equity securities of Carrols Corporation, which consisted of 10 shares of its common stock, were owned by Carrols Restaurant Group, Inc.

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CARROLS RESTAURANT GROUP, INC. AND CARROLS CORPORATION

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	June 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,516	\$ 4,402
Trade and other receivables	5,666	5,971
Inventories	5,193	5,935
Prepaid rent	4,219	3,928
Prepaid expenses and other current assets	5,645	4,835
Refundable income taxes	609	1,185
Deferred income taxes	4,834	4,834
Total current assets	29,682	31,090
Property and equipment, net	190,011	192,724
Franchise rights, net (Note 4)	72,076	73,674
Goodwill (Note 4)	124,934	124,934
Intangible assets, net	476	543
Franchise agreements, at cost less accumulated amortization of \$6,050 and \$5,854, respectively	5,771	5,924
Deferred income taxes	1,853	1,935
Other assets	8,786	9,153
Total assets	\$ 433,589	\$ 439,977
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 13,437	\$ 12,985
Accounts payable	14,627	15,983
Accrued interest	6,883	6,880
Accrued payroll, related taxes and benefits	16,833	21,454
Accrued real estate taxes	3,917	4,780
Other liabilities	9,671	9,061
Total current liabilities	65,368	71,143
Long-term debt, net of current portion (Note 5)	255,236	260,108
Lease financing obligations (Note 9)	10,029	9,999
Deferred income sale-leaseback of real estate	41,868	43,088
Accrued postretirement benefits (Note 8)	1,769	1,914
Other liabilities (Note 7)	22,319	22,321
Total liabilities	396,589	408,573
Commitments and contingencies (Note 11)		

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Stockholders' equity:		
Preferred stock, par value \$.01; authorized 20,000,000 shares, issued and outstanding - none		
Voting common stock, par value \$.01; authorized 100,000,000 shares, issued and outstanding -21,621,878 and 21,611,607 shares, respectively	216	216
Additional paid-in capital	2,596	1,759
Retained earnings	32,656	27,907
Accumulated other comprehensive income (Note 13)	1,673	1,663
Treasury stock, at cost	(141)	(141)
Total stockholders' equity	37,000	31,404
Total liabilities and stockholders' equity	\$ 433,589	\$ 439,977

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Table of Contents**CARROLS RESTAURANT GROUP, INC. AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF OPERATIONS****THREE AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009****(In thousands of dollars, except share and per share amounts)****(Unaudited)**

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Revenues:				
Restaurant sales	\$ 204,141	\$ 203,535	\$ 398,808	\$ 404,524
Franchise royalty revenues and fees	335	399	812	753
Total revenues	204,476	203,934	399,620	405,277
Costs and expenses:				
Cost of sales	62,969	59,349	122,167	117,622
Restaurant wages and related expenses (including stock-based compensation expense of \$14, \$53, \$28 and \$105, respectively)	59,611	59,144	118,745	117,787
Restaurant rent expense	12,232	12,402	24,588	24,834
Other restaurant operating expenses	29,105	29,286	57,337	58,700
Advertising expense	7,758	7,567	14,604	15,578
General and administrative (including stock-based compensation expense of \$402, \$308, \$781 and \$603, respectively)	12,677	12,698	25,174	25,916
Depreciation and amortization	8,113	7,883	16,235	15,753
Impairment and other lease charges (Note 3)	3,631	63	3,901	354
Other income (Note 14)		(579)		(579)
Total operating expenses	196,096	187,813	382,751	375,965
Income from operations	8,380	16,121	16,869	29,312
Interest expense	4,708	4,923	9,451	10,074
Income before income taxes	3,672	11,198	7,418	19,238
Provision for income taxes (Note 6)	1,237	4,133	2,669	7,147
Net income	\$ 2,435	\$ 7,065	\$ 4,749	\$ 12,091
Basic net income per share (Note 12)	\$ 0.11	\$ 0.33	\$ 0.22	\$ 0.56
Diluted net income per share (Note 12)	\$ 0.11	\$ 0.32	\$ 0.22	\$ 0.56
Basic weighted average common shares outstanding (Note 12)	21,618,962	21,592,535	21,616,325	21,592,498
Diluted weighted average common shares outstanding (Note 12)	21,844,162	21,782,987	21,840,881	21,688,962

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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	2010	2009
Cash flows provided from operating activities:		
Net income	\$ 4,749	\$ 12,091
Adjustments to reconcile net income to net cash provided from operating activities:		
Loss on disposals of property and equipment	220	105
Stock-based compensation expense	809	708
Impairment and other lease charges	3,901	354
Depreciation and amortization	16,235	15,753
Amortization of deferred financing costs	477	489
Amortization of unearned purchase discounts		(1,077)
Amortization of deferred gains from sale-leaseback transactions	(1,674)	(1,559)
Gain on settlements of lease financing obligations		(70)
Accretion of interest on lease financing obligations	30	19
Deferred income taxes	82	768
Accrued income taxes	576	