Red Robin Gourmet Burgers, Inc. Reports Results for the Fiscal First Quarter Ended April 18, 2021

Company announces all Company-owned indoor dining rooms open with varying levels of capacity, 10.0% comparable revenue growth, improved first quarter trends

May 25, 2021 04:05 PM Eastern Daylight Time

GREENWOOD VILLAGE, Colo.--(BUSINESS WIRE)--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 quarter ended April 18, 2021.

Key Highlights

- As of the end of our fiscal fifth period, all Company-owned restaurants have re-opened indoor dining rooms with varying levels of capacity;
- Restaurant revenue of $318.7 million and Restaurant Level Operating Profit (a non-GAAP metric) of 15.7%, an increase of 690 basis points over the same period in 2020;
- First quarter 2021 comparable(1) restaurant revenue increased 10.0% over the same period in 2020, and decreased 12.8% compared to the same period in 2019;
- At the end of the first quarter 2021, 55% of Company-owned restaurants had positive comparable(1) restaurant revenue compared to 2019;
- First quarter 2021 off-premises sales increased 75.5% compared to the period ended April 19, 2020, and comprised 41.7%, 26.3%, and 11.6% of total food and beverage sales for the first fiscal quarter of 2021, 2020, and 2019; and,
- For the last four weeks of the fiscal first quarter of 2021, 85 comparable(1) Company-owned restaurants with no capacity or social distancing restrictions realized comparable restaurant revenue of 5.2% over the same period in 2019, while maintaining off-premises mix of 29.9%, more than double pre-pandemic levels. These restaurants also realized comparable(1) restaurant margin of 21.1%, an increase of 1.5% over the same period in 2019. While these restaurants are able to operate with no restrictions, several are still operating below 100% capacity due to limited operating hours due to staffing challenges and COVID exclusions.

Paul J. B. Murphy III, Red Robin's President and Chief Executive Officer, said, "We are very excited to share the progress we have made towards recovery. Our initiatives to enhance the Red Robin Guest experience and enterprise business model since the onset of the pandemic, coupled with decreasing COVID cases and pent-up demand, have resulted in a meaningful improvement in our liquidity and enterprise margins. We are encouraged that by the end of our first fiscal quarter, more than half of our Company-owned restaurants had positive comparable restaurant revenue compared to 2019, despite pronounced capacity restrictions in our largest markets. For the first time since the beginning of the pandemic, all of our Company-owned restaurants are open for indoor dining at varying levels of capacity. As we welcome back our Guests, we are sustaining off-premises sales that are more than double pre-pandemic levels, even in comparable Company-owned restaurants we are able to operate at full indoor capacity."

Murphy continued, "We believe the foundation that we have put in place will drive Guest activation, deliver a great brand experience, continue to generate incremental off-premises sales, and leverage our strengthened business model, together creating long-term value for our shareholders."

First Quarter 2021 Financial Summary Compared to First Quarter 2020 and 2019

The following table presents financial highlights for the fiscal first quarter of 2021, compared to results from the same period in 2020 and 2019:

	Sixteen weeks ended			Sixteen weeks ended	
	April 18, 2021	April 19, 2020	Change	April 21, 2019[1]	Change
Total revenues (millions)	$ 326.3	$ 306.1	6.6 %	$ 409.9	(20.4) %
Net (loss) income (millions)	(8.7)	(174.3)	(95.0) %	0.6	*
Adjusted EBITDA (millions)[2]	$ 27.4	$ (10.7)	*	$ 34.3	(20.2) %
(Loss) income per diluted share ($ per share)	$ (0.56)	$ (13.51)	(95.9) %	$ 0.05	*
Adjusted (loss) income per diluted share ($ per share)[3]	$ (0.30)	$ (6.66)	(95.5) %	$ 0.19	*

(1) Presented for improved comparability.

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

(3) See schedule II for a reconciliation of Adjusted (loss) income per diluted share, a non-GAAP measure, to (Loss) income per diluted share.

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

First Quarter 2021 Operating Results

Comparable restaurant revenue[1] increased 10.0% in the first quarter of 2021 compared to the same period a year ago, driven by a 4.4% increase in Guest count and a 5.6% increase in average Guest check. The increase in average Guest check resulted from a 3.7% increase in pricing, a 1.3% increase in menu mix, and a 0.6% increase from lower discounts. The increase in menu mix was primarily driven by higher sales of appetizers and Gourmet burgers, partially offset by lower beverage mix. Comparable restaurant revenue[1] decreased 12.8% in the first quarter of 2021 compared to the same period of fiscal year 2019.

(1) Comparable restaurants are those Company-owned restaurants that have operated five full quarters as of the end of the period presented, and such restaurants are only included in the comparable metrics if they have operated for the entirety of both periods presented.

	Sixteen Weeks Ended	
	April 18, 2021	April 19, 2020
Average weekly sales per unit:		
Company-owned – Total	$ 46,515	$ 41,785
Company-owned – Comparable[1]	47,535	43,062
Franchised units – Comparable[1]	$ 50,240	$ 43,647
Total operating weeks:		
Company-owned units	6,851	7,214
Franchised units	1,648	1,632

(1) Comparable restaurants are those Company-owned restaurants that have operated five full quarters as of the end of the period presented, and such restaurants are only included in the comparable metrics if they have operated for the entirety of both periods presented.

	Sixteen weeks ended		
	April 18, 2021	April 19, 2020	April 21, 2019[1]
Restaurant level operating profit[2] (millions)	50.0	26.5	73.3
Restaurant level operating profit percentage[2]	15.7 %	8.8 %	18.3 %

(1) Presented for improved comparability.

(2) See schedule II for a reconciliation of Restaurant level operating profit, a non-GAAP measure, to Loss from operations.

The increase in restaurant-level operating profit was due to the following:

- Restaurant revenue increased by 5.7 %, driven by favorable Guest counts, pricing, and sales mix;
- Cost of goods sold decreased by 170 basis points, primarily driven by favorable commodity costs and rebates;
- Labor costs decreased by 430 basis points, primarily driven by a more efficient management labor structure, staffing shortages, and simplifying our menu resulting in reduced kitchen labor hours, partially offset by higher wage rates;
- Other operating expenses increased by 80 basis points, primarily driven by higher third party delivery commissions and supply costs, due to higher off-premises sales; and
- Occupancy costs decreased by 180 basis points, primarily driven by savings from permanently closed restaurants and restructuring of lease payments and rent concessions.

Schedule II of this earnings release defines restaurant-level operating profit, discusses why it is a useful metric for investors, and reconciles this metric to loss from operations and net loss, the most directly comparable GAAP metrics.

	Sixteen weeks ended		
	April 18, 2021	April 19, 2020	April 21, 2019[1]
General and administrative costs (millions)	$ 22.3	$ 26.7	$ 30.1
General and administrative costs as a percentage of total revenues	6.8 %	8.7 %	7.3 %

(1) Presented for improved comparability.

The decrease in general and administrative costs in 2021 was primarily driven by a decrease in travel and entertainment costs and a permanent reduction in force in 2020, partially offset by higher Team Member benefit costs.

	Sixteen weeks ended		
	April 18, 2021	April 19, 2020	April 21, 2019[1]
Selling costs (millions)	$ 8.4	$ 14.8	$ 18.0
Selling costs as a percentage of total revenues	2.6 %	4.8 %	4.4 %

(1) Presented for improved comparability.

The decrease in selling costs in 2021 was primarily driven by reduced marketing due to capacity limitations and a shift to an all-digital marketing strategy, which has enabled us to communicate with our Guests in a more compelling and cost effective way.

Balance Sheet and Liquidity

The Company made net repayments of $6.4 million on its Amended and Restated Credit Agreement (the "credit facility") during the first quarter of 2021. As of April 18, 2021, the Company had outstanding borrowings under its credit facility of $163.3 million, in addition to amounts issued under letters of credit of $8.6 million, and liquidity of approximately $107.0 million including cash on hand and available borrowing capacity under its credit facility.

Income Taxes

The Company will be able to carry back federal and state net operating losses that are expected to generate approximately $16 million in cash tax refunds during 2021.

Restaurant Portfolio

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

	Sixteen Weeks Ended	
	April 18, 2021	**April 19, 2020**
Company-owned:		
Beginning of period	443	454
Closed during the period	(3)	(2)
End of period	440	452
Franchised:		
Beginning of period	103	102
End of period	103	102
Total number of restaurants	543	554

As of May 16, 2021, the Company had 440 total (comparable and non-comparable) restaurants. In addition to the permanent closures shown in the table above, the Company determined during the first quarter that it intends to permanently close 10 of 12 remaining Company-owned restaurants that were closed in 2020 due to the COVID-19 pandemic and will re-open the remaining two restaurants in 2021.

Current Operational Trends

Selected operating metrics are presented below for the Company's 28 day accounting periods through the fifth period of fiscal year 2021:

	Period Ended[2]				
Company-owned Restaurants	**24-Jan**	**21-Feb[3]**	**21-Mar**	**18-Apr**	**16-May[6]**
Net comparable[1] restaurant revenues	(26.7)%	(22.9)%	21.9%	165.9%	102.6%
Net comparable[1] restaurant revenues compared to Fiscal Year 2019	N/A[4]	N/A[4]	(8.5)%	0.0%	(3.3)%
Average weekly net sales per restaurant	$ 39,701	$ 41,384	$ 53,240	$ 55,600	$ 52,731
Number of comparable Company-owned restaurants[1]	413	411	410	410	410
Company-owned restaurants with closed dining rooms[1]	114	57	9	6	0
Average weekly off-premises net sales per restaurant	$ 20,896	$ 18,696	$ 20,056	$ 19,894	$ 19,078
Open system capacity[5]	40%	41%	48%	61%	65%

(1)

(1) Comparable restaurants are those Company-owned restaurants that have operated five full fiscal quarters as of the period presented. Restaurant count shown is as of the end of the period presented.

(2) The periods ended January 24, February 21, March 21, and April 18, 2021 comprise the Company's first fiscal quarter. The period ended May 16, 2021 falls within our second fiscal quarter of 2021, and amounts presented for the period are preliminary and subject to closing adjustments.

(3) Period includes the impact of reduced traffic due to winter weather in February of approximately 2% to 3%.

(4) This metric is presented to compare current year operating results to periods that are not impacted by the COVID-19 pandemic. There was no meaningful COVID-19 impact in P1 or P2 of 2020.

(5) Represents the percentage of indoor seating of Company-owned restaurants with open dining rooms, as of the end of the period presented.

(6) Period includes the impact of limited operating hours, in part due to staffing shortages.

We expect that the recovery of our restaurants in our largest markets on the West Coast, which have had capacity restrictions at 50% or less through May 16, 2021, will provide significant average comparable restaurant revenue benefits as we increase capacity in these dining rooms. As of the end of our fiscal first quarter, the majority of our restaurants in our West Coast market were open at limited indoor capacity. The restaurants in these states had average weekly net sales per restaurant as presented in the table below:

State	Restaurant Count	Sixteen weeks ended April 18, 2021	May 16, 2021[1]	Fiscal Year 2019	First Quarter 2021 to Fiscal Year 2019 Change	Period Ended May 16, 2021 to Fiscal Year 2019 Change[1]
California	64	$44,592	$ 64,735	$63,586	(29.9) %	1.8 %
Oregon	15	$53,784	$ 57,710	$70,119	(23.3) %	(17.7) %[2]
Washington	38	$59,888	$ 75,175	$73,326	(18.3) %	2.5 %

(1) Amounts presented for this period are preliminary and subject to closing adjustments.

(2) During our fiscal fifth period ended May 16, 2021, certain restaurants in Oregon were mandated to revert to off-premises only due to increased COVID-19 restrictions in these states and localities.

We also expect to see continued benefits from outdoor seating expansion, allowing us to capture incremental demand by offering a Red Robin occasion to Guests who would still prefer a more socially distanced full service dining option, or outdoor dining experiences during seasons with good weather.

Outlook for 2021 and Guidance Policy

The Company provides guidance as it relates to select information related to the Company's financial and operating performance, and such measures may differ from year to year. Due to the uncertainty caused by the on-going COVID-19 pandemic, limited guidance is being provided for fiscal year 2021.

The Company currently expects the following in 2021:

- We reiterate our expectation of full-year capital expenditures of $45 million to $55 million, including continued investment in maintaining our restaurants and infrastructure with maintenance and systems capital, Donatos® expansion to approximately 120 restaurants, including approximately 40 restaurants in our second fiscal quarter, and approximately 80 restaurants in the second half of the fiscal year, digital guest and operational technology solutions, and off-premises execution enhancements.
- We currently expect to realize a full-year 2021 effective tax rate between 1% and 5%.