

CARROLS CORP
Form 10-Q
November 04, 2009
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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 September 27, 2009

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

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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

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 Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Carrols Corporation

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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 October 30, 2009, Carrols Restaurant Group, Inc. had 21,594,145 shares of its common stock, \$.01 par value, outstanding. As of October 30, 2009, 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

FORM 10-Q

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	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,306	\$ 3,399
Trade and other receivables	5,293	5,622
Inventories	5,467	5,588
Prepaid rent	2,983	2,998
Prepaid expenses and other current assets	4,751	6,738
Deferred income taxes	4,873	4,890
Total current assets	26,673	29,235
Property and equipment, net	197,081	195,376
Franchise rights, net (Note 4)	74,518	76,870
Goodwill (Note 4)	124,934	124,934
Intangible assets, net	578	675
Franchise agreements, at cost less accumulated amortization of \$5,715 and \$5,729, respectively	5,900	5,826
Deferred income taxes	5,415	6,697
Other assets	9,228	10,585
Total assets	\$ 444,327	\$ 450,198
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 15,081	\$ 12,093
Accounts payable	17,332	18,789
Accrued interest	3,232	7,742
Accrued payroll, related taxes and benefits	19,943	15,431
Accrued income taxes payable	3,001	2,099
Accrued real estate taxes	4,979	3,803
Other liabilities	11,494	10,848
Total current liabilities	75,062	70,805
Long-term debt, net of current portion (Note 5)	265,232	289,202
Lease financing obligations (Note 9)	10,865	14,859
Deferred income sale-leaseback of real estate	42,802	43,447
Accrued postretirement benefits (Note 8)	1,494	1,697
Other liabilities (Note 7)	21,670	21,729
Total liabilities	417,125	441,739
Commitments and contingencies (Note 11)		
Stockholders equity:		

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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 - 21,594,145 and 21,592,462 shares, respectively	216	216
Additional paid-in capital	1,403	348
Retained earnings	23,760	6,072
Accumulated other comprehensive income (Note 13)	1,964	1,964
Treasury stock, at cost	(141)	(141)
Total stockholders' equity	27,202	8,459
Total liabilities and stockholders' equity	\$ 444,327	\$ 450,198

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 NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008****(In thousands of dollars, except share and per share amounts)****(Unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Revenues:				
Restaurant sales	\$ 200,802	\$ 208,698	\$ 605,326	\$ 614,422
Franchise royalty revenues and fees	364	366	1,117	1,077
Total revenues	201,166	209,064	606,443	615,499
Costs and expenses:				
Cost of sales	57,662	63,558	175,284	185,130
Restaurant wages and related expenses (including stock-based compensation expense of \$51, \$57, \$156 and \$171, respectively)	59,109	59,786	176,896	179,090
Restaurant rent expense	12,383	11,714	37,217	34,765
Other restaurant operating expenses	29,841	32,433	88,541	93,326
Advertising expense	7,974	7,826	23,552	24,874
General and administrative (including stock-based compensation expense of \$296, \$438, \$899 and \$1,290, respectively)	12,766	12,893	38,682	39,605
Depreciation and amortization	8,080	8,124	23,833	24,223
Impairment and other lease charges (Note 3)	46	53	400	155
Other income (Note 14)	(220)		(799)	(119)
Total costs and expenses	187,641	196,387	563,606	581,049
Income from operations	13,525	12,677	42,837	34,450
Interest expense	4,834	6,861	14,908	21,418
Gain on extinguishment of debt (Note 5)				(180)
Income before income taxes	8,691	5,816	27,929	13,212
Provision for income taxes (Note 6)	3,094	2,136	10,241	4,829
Net income	\$ 5,597	\$ 3,680	\$ 17,688	\$ 8,383
Basic net income per share (Note 12)	\$ 0.26	\$ 0.17	\$ 0.82	\$ 0.39
Diluted net income per share (Note 12)	\$ 0.26	\$ 0.17	\$ 0.81	\$ 0.39
Basic weighted average common shares outstanding (Note 12)	21,593,927	21,573,485	21,592,974	21,572,241
Diluted weighted average common shares outstanding (Note 12)	21,844,946	21,576,176	21,740,957	21,575,280

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

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	2009	2008
Cash flows provided from operating activities:		
Net income	\$ 17,688	\$ 8,383
Adjustments to reconcile net income to net cash provided from operating activities:		
Loss on disposals of property and equipment	15	102
Stock-based compensation expense	1,055	1,461
Impairment and other lease charges	400	155
Depreciation and amortization	23,833	24,223
Amortization of deferred financing costs	732	890
Amortization of unearned purchase discounts	(1,616)	(1,616)
Amortization of deferred gains from sale-leaseback transactions	(2,363)	