

BIGLARI HOLDINGS INC.
Form 10-Q
January 25, 2013

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 December 19, 2012

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: 0-8445

BIGLARI HOLDINGS INC.

(Exact name of registrant as specified in its charter)

INDIANA

(State or other jurisdiction of incorporation or organization)

37-0684070

(I.R.S. Employer Identification No.)

17802 IH 10 West, Suite 400

San Antonio, Texas

(Address of principal executive offices)

78257

(Zip Code)

(210) 344-3400

(Registrant's telephone number, including area code)

Not Applicable

(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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

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(§232.405 of this chapter) 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 registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of January 23, 2013 1,433,716 shares of the registrant’s Common Stock, \$.50 stated value, were outstanding.

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ITEM 1. FINANCIAL STATEMENTS

BIGLARI HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	December 19, 2012 (Unaudited)	September 26, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$32,130	\$60,359
Investments	305,634	269,858
Receivables, net of allowance of \$740 and \$744, respectively	6,269	7,001
Inventories	6,676	6,624
Assets held for sale	1,067	2,357
Other current assets	2,996	2,798
Total current assets	354,772	348,997
Property and equipment, net	352,588	356,638
Goodwill	27,529	27,529
Other intangible assets, net	6,079	6,248
Other assets	8,859	9,109
Investments held by consolidated affiliated partnerships	23,730	25,266
Total assets	\$773,557	\$773,787
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Accounts payable	\$40,005	\$33,210
Accrued expenses	42,352	53,866
Revolving credit	15,000	—
Deferred income taxes	15,546	19,367
Current portion of obligations under leases	5,743	5,713
Current portion of long-term debt	9,802	12,138
Total current liabilities	128,448	124,294
Deferred income taxes	8,442	8,675
Obligations under leases	108,921	110,353
Long-term debt	120,250	120,250
Other long-term liabilities	9,069	9,002
Total liabilities	375,130	372,574
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests of consolidated affiliated partnerships	53,274	52,088
Shareholders' equity		

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Common stock – \$0.50 stated value, 2,500,000 shares authorized – 1,511,174 shares issued at December 19, 2012 and September 26, 2012, 1,227,973 and 1,227,928 shares outstanding (net of treasury stock), respectively	756	756
Additional paid-in capital	140,390	143,035
Retained earnings	256,545	251,983
Accumulated other comprehensive income	38,007	43,897
Treasury stock – at cost: 283,201 and 283,246 shares (includes 205,743 shares held by consolidated affiliated partnerships) at December 19, 2012 and September 26, 2012, respectively	(90,545)	(90,546)
Biglari Holdings Inc. shareholders' equity	345,153	349,125
Total liabilities and shareholders' equity	\$773,557	\$773,787

See accompanying Notes to Consolidated Financial Statements.

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BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

(In thousands, except share and per share data)

Twelve Weeks Ended

	December 19, 2012	December 21, 2011
Net revenues		
Restaurant Operations:		
Net sales	\$163,739	\$161,516
Franchise royalties and fees	2,474	2,144
Other revenue	525	530
Total	\$166,738	164,190
Investment Management Operations:		
Consolidated Affiliated Partnerships:		
Investment gains/losses	(348)	2,124
Other income	121	76
Total	(227)	2,200
Total net revenues	166,511	166,390
Costs and expenses		
Cost of sales	47,954	45,424
Restaurant operating costs	77,360	73,963
General and administrative	13,577	13,258
Depreciation and amortization	5,943	6,301
Marketing	10,233	8,887
Rent	4,012	4,047
Pre-opening costs	—	101
Loss on disposal of assets	207	216
Other operating (income) expense	(105)	(519)
Total costs and expenses, net	159,181	151,678
Other income (expenses)		
Interest, dividend and other investment income	2,544	626
Interest on obligations under leases	(2,208)	(2,325)
Interest expense	(1,737)	(1,855)
Realized investment gains/losses	1	3,595
Total other income (expenses)	(1,400)	41
Earnings before income taxes	5,930	14,753
Income taxes	1,543	4,760
Net earnings	4,387	9,993
Earnings attributable to redeemable noncontrolling interest:		

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Income allocation	154	(1,234)
Incentive fee	21	36
Total earnings/loss attributable to redeemable noncontrolling interests	175	(1,198)
Net earnings attributable to Biglari Holdings Inc.	\$4,562	\$8,795
Earnings per share attributable to Biglari Holdings Inc.		
Basic earnings per common share	\$3.42	\$6.60
Diluted earnings per common share	\$3.42	\$6.58
Weighted average shares and equivalents		
Basic	1,333,309	1,333,467
Diluted	1,335,729	1,335,926

See accompanying Notes to Consolidated Financial Statements.

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BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	Twelve Weeks Ended	
	December 19, 2012	December 21, 2011
Net earnings attributable to Biglari Holdings Inc.	\$4,562	\$8,795
Other comprehensive income:		
Reclassification of investment appreciation in net earnings	(1)	(1,453)
Applicable income taxes	—	552
Net change in unrealized gains and losses on investments	(9,499)	20,416
Applicable income taxes	3,610	(7,758)
Other comprehensive income, net	(5,890)	11,757
Total comprehensive income (loss)	\$(1,328)	\$20,552

See accompanying Notes to Consolidated Financial Statements.

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BIGLARI HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Twelve Weeks Ended	
	December 19, 2012	December 21, 2011
Operating activities		
Net earnings	\$4,387	\$9,993
Adjustments to reconcile net earnings to operating cash flows (excluding investment operations of consolidated affiliated partnerships):		
Depreciation and amortization	5,943	6,301
Provision for deferred income taxes	(443)	698
Stock-based compensation and other non-cash expenses	106	157
Loss on disposal of assets	207	216
Realized investment gains/losses	(1)	(3,595)
Changes in receivables and inventories	690	(2,082)
Changes in other assets	(120)	(1,554)
Changes in accounts payable and accrued expenses		