BJs RESTAURANTS INC
Form 10-Q
May 04, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 30, 2010

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 0-21423

BJ S RESTAURANTS, INC.

(Exact name of registrant as specified in its charter)

California	**33-0485615**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

7755 Center Avenue

Suite 300

Huntington Beach, California 92647

(714) 500-2400

(Address, including zip code, and telephone number, including

area code, of registrant s principal executive offices)

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 þ No ¨.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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 definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

¨	Large accelerated filer	þ	Accelerated filer
¨	Non-accelerated filer (do not check if 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 Act). Yes ¨ No þ.

As of April 30, 2010, there were 27,014,216 shares of Common Stock of the Registrant outstanding.

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BJ S RESTAURANTS, INC.

Form 10-Q

For the thirteen weeks ended March 30, 2010

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PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

BJ S RESTAURANTS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands)

	March 30, 2010	December 29, 2009
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$22,401	$44,906
Short-term investments	10,850	-
Accounts and other receivables	9,855	13,193
Inventories	4,315	3,994
Prepaids and other current assets	970	2,423
Deferred income taxes	9,219	9,782
Total current assets	57,610	74,298
Property and equipment, net	297,127	291,913
Non-current investments	4,132	-
Goodwill	4,673	4,673
Notes receivable	513	538
Other assets, net	10,130	9,700
Total assets	$374,185	$381,122
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$13,480	$11,978
Accrued expenses	39,365	54,763
Total current liabilities	52,845	66,741
Deferred income taxes	18,049	17,941
Long-term debt	2,500	5,000
Other liabilities	39,955	38,461
Total liabilities	113,349	128,143
Commitments and contingencies		
Shareholders equity:		
Preferred stock, 5,000 shares authorized, none issued or outstanding	-	-
Common stock, no par value, 60,000 shares authorized and 27,014 and 26,774 shares issued and outstanding as of March 30, 2010 and December 29, 2009, respectively	169,014	166,807
Capital surplus	21,531	20,231

Retained earnings	70,291	65,941
Total shareholders equity	260,836	252,979
Total liabilities and shareholders equity	$374,185	$381,122

See accompanying notes to unaudited consolidated financial statements.

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BJ S RESTAURANTS, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	For The Thirteen Weeks Ended	
	March 30, 2010	**March 31, 2009**
Revenues	$121,686	$102,425
Costs and expenses:		
Cost of sales	30,064	25,441
Labor and benefits	43,420	36,295
Occupancy and operating	26,012	21,715
General and administrative	8,474	7,135
Depreciation and amortization	6,731	5,710
Restaurant opening	1,129	984
Loss on disposal of assets	140	-
Total costs and expenses	115,970	97,280
Income from operations	5,716	5,145
Other income (expense):		
Interest income	29	109
Interest expense	(21)	(33)
Other income, net	236	149
Total other income	244	225
Income before income taxes	5,960	5,370
Income tax expense	1,610	1,611
Net income	$4,350	$3,759
Net income per share:		
Basic	$0.16	$0.14
Diluted	$0.16	$0.14
Weighted average number of shares outstanding:		
Basic	26,872	26,732
Diluted	27,723	26,904

See accompanying notes to unaudited consolidated financial statements.

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BJ S RESTAURANTS, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For The Thirteen Weeks Ended	
	March 30, 2010	**March 31, 2009**
Cash flows from operating activities:		
Net income	$4,350	$3,759
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,731	5,710
Deferred income taxes	671	1,375
Stock-based compensation expense	1,004	879
Loss on disposal of assets	140	-
Changes in assets and liabilities:		
Accounts and other receivables	1,722	180
Inventories	(321)	24
Prepaids and other current assets	1,453	1,828
Other assets, net	(446)	(25)
Accounts payable	1,502	(2,828)
Accrued expenses	(15,398)	(6,069)
Other liabilities	1,494	2,598
Landlord contribution for tenant improvements, net	1,616	(831)
Net cash provided by operating activities	4,518	6,600
Cash flows from investing activities:		
Purchases of property and equipment	(12,035)	(8,301)
Proceeds from investments sold	66	600
Purchases of investments	(15,036)	-
Collection of notes receivable	25	24
Net cash used in investing activities	(26,980)	(7,677)
Cash flows from financing activities:		
Payments on line of credit	(2,500)	(1,500)
Excess tax benefit from stock-based compensation	250	20
Proceeds from exercise of stock options	2,207	4
Net cash used in financing activities	(43)	(1,476)
Net decrease in cash and cash equivalents	(22,505)	(2,553)
Cash and cash equivalents, beginning of period	44,906	8,852
Cash and cash equivalents, end of period	$22,401	$6,299

Supplemental disclosure of cash flow information:

Cash paid for interest, net of capitalized interest	$-	$-
Cash paid for income taxes	$14	$75
Supplemental disclosure of non-cash financing activity:		
Stock-based compensation capitalized	$46	$57

See accompanying notes to unaudited consolidated financial statements.

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BJ S RESTAURANTS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of BJ s Restaurants, Inc. (referred to herein as the Company or in the first person notations we, us and our) and our wholly owned subsidiaries. The financial statements presented herein include all material adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the financial condition, results of operations and cash flows for the period. Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information, and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires us to make certain estimates and assumptions for the reporting periods covered by the financial statements. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses. Actual amounts could differ from these estimates.

Certain information and footnote disclosures normally included in consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP) have been omitted pursuant to requirements of the Securities and Exchange Commission (SEC). A description of our accounting policies and other financial information is included in our audited consolidated financial statements as filed with the SEC on Form 10-K for the year ended December 29, 2009. We believe that the disclosures included in our accompanying interim financial statements and footnotes are adequate to make the information not misleading, but should be read in conjunction with our consolidated financial statements and notes thereto included in the Annual Report on
Form 10-K. The accompanying consolidated balance sheet as of December 29, 2009 has been derived from our audited consolidated financial statements.

Reclassifications

Certain reclassifications have been made to prior year s balances to conform to the current year s presentation.

Recent Accounting Pronouncements

In June 2009, the FASB approved the FASB Accounting Standards Codification (the Codification) as the single source of authoritative nongovernmental GAAP. All existing accounting standard literature, promulgated by the FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and other authoritative sources, excluding guidance from the Securities and Exchange Commission (SEC), will be superseded by the Codification. All non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative. The Codification does not change GAAP, but instead introduces a new structure that will combine all authoritative standards into a comprehensive, topically organized online database. The Codification was effective for interim or annual periods ending after September 15, 2009, and impacted our consolidated financial statement disclosures beginning with the quarter ending September 29, 2009. There were no changes to the content of our consolidated financial statements or disclosures as a result of implementing the Codification.

In May 2009, the FASB issued a statement on subsequent events (Codification Topic No. 855, *Subsequent Events*), which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued or available to be issued (subsequent events). This statement requires disclosure of the date through which the entity has evaluated subsequent events and the basis for that date. For public entities, this is the date the financial statements are issued. This statement does not apply to subsequent events or transactions that are within the scope of other GAAP and will not result in significant changes in the subsequent events reported by us. This statement was effective for interim or annual periods ending after June 15, 2009. We implemented the provisions of this statement during the quarter ended June 30, 2009. We evaluated for subsequent events through the issuance date of our consolidated financial statements. No recognized or non-recognized subsequent events were noted.

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2. INVESTMENTS

Our investment policy restricts the investment of our excess cash balances to investment-grade marketable securities, such as U.S. Treasury and direct agency obligations, municipal and bank securities, investment-grade corporate debt securities, and money market funds. Investments and marketable securities, which we have the intent and ability to hold until maturity, are classified as held-to-maturity securities. All investments held as of March 30, 2010 are currently classified as held-to-maturity and are reported at amortized cost. Realized gains or losses are determined on the specific identification cost method and recorded as a charge to earnings, when realized.

Investments consist of the following (in thousands):

	Amortized Cost	Average Maturity
Short-term investments:		
U.S. Treasury and direct agency obligations	$9,560	7.5 months
Corporate bonds	1,290	12 months
March 30, 2010	$10,850	
Non-current investments:		
Domestic corporate obligations	$4,132	22 months
March 30, 2010	$4,132	

The domestic corporate obligations included as non-current investments were issued under the Temporary Loan Guaranty Program of the U.S. Government and are fully insured by the Federal Deposit Insurance Corporation.

3. FAIR VALUE MEASUREMENT

For assets that are measured using quoted market prices in active markets, fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. At March 30, 2010, we held investments in marketable securities totaling approximately $15.0 million, and the fair value of our investments equaled the quoted market price. Additionally, the majority of our investments are AAA-rated securities. Therefore, we believe that we are not exposed to significant credit risks on these investments.

The carrying value of cash and cash equivalents approximates fair value due to the short-term maturities of those securities. At March 30, 2010 and December 29, 2009, we held $22.4 million and $44.9 million, respectively, of cash and cash equivalents. Our cash and cash equivalents are primarily comprised of U.S. Treasury, direct agency obligations and money market funds with various investment broker-dealers. The U.S. Treasury and direct agency obligations are guaranteed by the U.S. Government. Our money market fund investments consist of only first-tier, high-quality securities, and we have not experienced any losses to date in these investments.

4. LONG-TERM DEBT

Line of Credit

We have a $45 million unsecured revolving line of credit with a major financial institution (the Line of Credit). The Line of Credit expires on September 30, 2012 and may be used for working capital and other general corporate purposes. We expect to utilize the Line of Credit principally for letters of credit that are required to support certain of our self insurance programs and for working capital and construction requirements as needed. As of March 30, 2010, there were funded borrowings of $2.5 million outstanding under the Line of Credit and there were outstanding letters of credit totaling approximately $3.6 million. Any borrowings under the Line of Credit will bear interest at the financial institution s prime rate or at LIBOR plus a percentage not to exceed 1.375% based on a Lease Adjusted Leverage Ratio as defined in the Line of Credit agreement. The Line of Credit agreement also requires compliance with a Fixed Charge Coverage Ratio, a Lease Adjusted Leverage Ratio and certain non-financial covenants. At March 30, 2010, we were in compliance with these covenants. Any interest on the Line of Credit will be payable quarterly and all related borrowings must be repaid on or before September 30, 2012. At March 30, 2010, interest paid on the funded borrowings under the Line of Credit was approximately $17,000, of which $10,000 related to the thirteen weeks ended March, 30, 2010. The weighted average interest rate was approximately 1.1%.

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5. NET INCOME PER SHARE

Basic net income per share is computed by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net income per share reflects the potential dilution that could occur if stock options and restricted stock units issued by the Company to sell common stock at set prices were exercised. The consolidated financial statements present basic and diluted net income per share. Common share equivalents included in the diluted computation represent shares to be issued upon assumed exercises of outstanding stock options and restricted stock units using the treasury stock method.

The following table presents a reconciliation of basic and diluted net income per share computations and the number of dilutive securities (stock options and restricted stock units) that were included in the dilutive net income per share computation (in thousands).

	For The Thirteen Weeks Ended	
	March 30, 2010	March 31, 2009
Numerator:		
Net income for basic and diluted net income per share	$4,350	$3,759
Denominator:		
Weighted average shares outstanding - basic	26,872	26,732
Effect of dilutive common stock options and restricted stock units	851	172
Weighted average shares outstanding - diluted	27,723	26,904

For the thirteen weeks ended March 30, 2010 and March 31, 2009, there were approximately 0.1 million and 1.3 million stock options outstanding, respectively, whereby the exercise price exceeded the average common stock market value. The effects of the shares which would be issued upon the exercise of these options have been excluded from the calculation of diluted net income per share because they are anti-dilutive.

6. RELATED PARTY

As of March 30, 2010, we believe that Jacmar Companies and their affiliates (collectively referred to herein as Jacmar) owned approximately 15.6% of our outstanding common stock. Jacmar, through its specialty wholesale food distributorship, is currently our largest supplier of food, beverage and paper products servicing our restaurants in California and Nevada, while other system distributors service our restaurants in all other states. We also believe that Jacmar is the controlling shareholder of the Shakey s pizza parlor chain. We believe that Jacmar sells products to us at prices comparable to those offered by unrelated third parties based on our extensive competitive bidding process that resulted in three-year agreements in July 2006 and July 2009. Jacmar supplied us with approximately $14.2 million and $12.9 million of food, beverage and paper products for the thirteen weeks ended March 30, 2010 and March 31, 2009, respectively, which represents 47.2% and 50.8% of our total costs for these products, respectively. We had trade payables related to these products of approximately $2.5 million and $2.0 million at March 30, 2010 and March 31, 2009, respectively.

7. STOCK-BASED COMPENSATION

We have two stock-based compensation plans the 2005 Equity Incentive Plan and the 1996 Stock Option Plan under which we may issue shares of our common stock to employees, officers, directors and consultants. Upon effectiveness of the 2005 Equity Incentive Plan, the 1996 Stock Option Plan was closed for purposes of new grants and the remaining available shares for grant, including those shares related to option awards forfeited or terminated without exercise under the 1996 Stock Option Plan accrue to the 2005 Equity Incentive Plan. Both of these plans have been approved by our shareholders. Under the 2005 Equity Incentive Plan, we have granted incentive stock options, non-qualified stock options, and restricted stock units.

Beginning in 2007, substantially all of our restaurant general managers, executive kitchen managers, regional kitchen operations managers, directors of operations, area vice presidents and certain brewery operations positions are eligible to participate in our equity-based incentive program called the BJ s Gold Standard Stock Ownership Program (the GSSOP) under our 2005 Equity Incentive Plan. The GSSOP is a longer-term equity incentive program that utilizes Company restricted stock units (RSUs). The GSSOP is dependent on each participant s

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extended service with us in their respective positions and their achievement of certain agreed-upon performance objectives during that service period (i.e., five years).

Beginning in 2008, we issued RSUs as a component of the annual equity grant award to officers and other employees. Under our 2005 Equity Incentive Plan we have issued approximately 620,000 RSUs as of March 30, 2010. The fair value of the RSUs is the quoted market value of our common stock on the date of grant. The fair value of each RSU is expensed over the period during which its related restrictions are expected to lapse (i.e., generally five years). Stock options generally vest at 20% per year or cliff vest, either ratably in years three through five or 100% in year five and expire ten years from date of grant. RSUs generally vest at 20% per year for other RSU grantees and generally cliff vest at 100% after five years for GSSOP participants.

We account for equity grants under these plans in accordance with the fair value recognition provisions required by generally accepted accounting principles using the modified-prospective-transition method. Compensation expense recognized in the thirteen weeks ended March 30, 2010 and March 31, 2009 include (a) compensation expense for all share-based payments granted prior to, but not yet vested as of January 4, 2006, based on the grant date fair value estimated in accordance with the original provisions and (b) compensation expense for all share-based payments granted subsequent to January 4, 2006, based on their grant date fair value-estimates in accordance with the revised provisions under generally accepted accounting principles.

The following table presents information related to stock-based compensation (in thousands):

	For The Thirteen Weeks Ended March 30, 2010	March 31, 2009
Labor and benefits stock-based compensation	$226	$273
General and administrative stock-based compensation	$778	$606
Capitalized stock-based compensation (1)	$46	$57

(1) Capitalized stock-based compensation is included in Property and equipment, net on the Consolidated Balance Sheets.

Stock Options

The exercise price of the stock options under the Company s stock-based compensation plans shall be equal to or exceed 100% of the fair market value of the shares at the date of option grant. Stock options generally vest at 20% per year or cliff vest, either ratably in years three through five or 100% in year five and expire ten years from date of grant. Stock option activity during the thirteen weeks ended March 30, 2010 was as follows:

	Options Outstanding		Options Exercisable	
	Shares (in thousands)	Weighted Average Exercise Price	Shares (in thousands)	Weighted Average Exercise Price
Outstanding options at December 29, 2009	2,267	$15.21	1,497	$15.32
Granted	500	$19.11		
Exercised	(205)	$10.73		
Forfeited	(2)	$18.11		
Expired	(170)	$19.38		

Outstanding options at March 30, 2010	2,390	$16.12	1,312	$15.51

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The fair value of each stock option grant issued is estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the Thirteen Weeks Ended	
	March 30, 2010	March 31, 2009
Expected volatility	34.2%	81.8%
Risk free interest rate	2.6%	1.5%
Expected option life	5 years	5 years
Dividend yield	0%	0%
Fair value of options granted	$6.58	$6.74

Generally accepted accounting principles require us to make certain assumptions and judgments regarding the grant date fair value. These judgments include expected volatility, risk free interest rate, expected option life, dividend yield and vesting percentage. These estimations and judgments are determined by us using many different variables that, in many cases, are outside of our control. The changes in these variables or trends, including stock price volatility and risk free interest rate, may significantly impact the grant date fair value resulting in a significant i