

DENNYS CORP
Form 10-Q
August 08, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 29, 2011

Commission File Number 0-18051
DENNY'S CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3487402
(I.R.S. Employer
Identification No.)

203 East Main Street
Spartanburg, South Carolina 29319-0001
(Address of principal executive offices)
(Zip Code)

(864) 597-8000
(Registrant's telephone number, including area code)

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 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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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(Do not check if a
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 August 1, 2011, 97,323,951 shares of the registrant's common stock, par value \$.01 per share, were outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Denny's Corporation and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	Quarter Ended		Two Quarters Ended	
	June 29, 2011	June 30, 2010	June 29, 2011	June 30, 2010
	(In thousands, except per share amounts)			
Revenue:				
Company restaurant sales	\$ 104,021	\$ 105,301	\$ 208,576	\$ 213,084
Franchise and license revenue	31,832	29,776	63,082	59,565
Total operating revenue	135,853	135,077	271,658	272,649
Costs of company restaurant sales:				
Product costs	25,613	24,500	51,248	50,192
Payroll and benefits	42,419	43,363	86,615	87,539
Occupancy	6,793	6,908	13,653	14,309
Other operating expenses	15,329	15,994	30,586	31,858
Total costs of company restaurant sales	90,154	90,765	182,102	183,898
Costs of franchise and license revenue	11,085	11,123	22,650	23,489
General and administrative expenses	14,092	13,111	28,231	26,185
Depreciation and amortization	7,234	7,291	14,422	14,664
Operating (gains), losses and other charges, net	(419)	(117)	(948)	306
Total operating costs and expenses, net	122,146	122,173	246,457	248,542
Operating income	13,707	12,904	25,201	24,107
Other expenses:				
Interest expense, net	4,901	6,514	10,594	12,912
Other nonoperating expense, net	268	570	1,746	558
Total other expenses, net	5,169	7,084	12,340	13,470
Net income before income taxes	8,538	5,820	12,861	10,637
Provision for income taxes	408	362	607	591
Net income	\$ 8,130	\$ 5,458	\$ 12,254	\$ 10,046
Basic and diluted net income per share	\$ 0.08	\$ 0.05	\$ 0.12	\$ 0.10
Weighted average shares outstanding:				
Basic	98,421	99,263	98,700	98,179
Diluted	100,602	101,983	100,976	101,068

See accompanying notes

and 97,408 shares outstanding; December 29, 2010:

100,073 shares issued and 99,036

shares outstanding

Paid-in capital	554,979	548,490
Deficit	(617,860)	(630,114)
Accumulated other comprehensive loss, net of tax	(19,199)	(19,199)
Shareholders' deficit before treasury stock	(81,058)	(99,822)
Treasury stock, at cost, 4,768 and 1,037 shares, respectively	(18,465)	(3,890)
Total Shareholders' Deficit	(99,523)	(103,712)
Total Liabilities and Shareholders' Deficit	\$ 286,662	\$ 311,206

See accompanying notes

Denny's Corporation and Subsidiaries
Condensed Consolidated Statement of Shareholders' Deficit and Comprehensive Loss
(Unaudited)

	Common Stock		Treasury Stock		Paid-in	(Deficit)	Accumulated Other Comprehensive Loss, Net	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount	Capital			
	(In thousands)							
Balance, December 29, 2010	100,073	\$ 1,001	(1,037)	\$ (3,890)	\$ 548,490	\$ (630,114)	\$ (19,199)	\$ (103,712)
Comprehensive income:								
Net income	—	—	—	—	—	12,254	—	12,254
Comprehensive income	—	—	—	—	—	12,254	—	12,254
Share-based compensation on equity classified awards	—	—	—	—	1,889	—	—	1,889
Purchase of treasury stock	—	—	(3,731)	(14,575)	—	—	—	(14,575)
Issuance of common stock for share-based compensation	126	1	—	—	(1)	—	—	—
Exercise of common stock options	1,977	20	—	—	4,601	—	—	4,621
Balance, June 29, 2011	102,176	\$ 1,022	(4,768)	\$ (18,465)	\$ 554,979	\$ (617,860)	\$ (19,199)	\$ (99,523)

See accompanying notes

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Decrease in cash and cash equivalents	(16,137)	(4,848)
Cash and cash equivalents at:		
Beginning of period	29,074	26,525
End of period	\$ 12,937	\$ 21,677

See accompanying notes

Denny's Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Introduction and Basis of Presentation

Denny's Corporation, or Denny's, is one of America's largest family-style restaurant chains. At June 29, 2011, the Denny's brand consisted of 1,677 restaurants, 1,452 (87%) of which were franchised/licensed restaurants and 225 (13%) of which were company-owned and operated.

The following table shows the unit activity for the quarter and two quarters ended June 29, 2011 and June 30, 2010: