FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-11-09** | Period of Report: **1995-09-25**
SEC Accession No. 0000950170-95-000222

FILER

BAYPORT RESTAURANT GROUP INC

CIK:**356622**| IRS No.: **591827559** | State of Incorp.:**FL** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-10717** | Film No.: **95588714**
SIC: **5812** Eating places

Mailing Address
4000 HOLLYWOOD BLVD SUITE 695-S HOLLYWOOD FL 33021

Business Address
4000 HOLLYWOOD BLVD STE 695-S HOLLYWOOD FL 33021 3059676700

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 SEPTEMBER 25, 1995

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 NO. 0-10717

BAYPORT RESTAURANT GROUP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

FLORIDA	59-1827559
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

4000 HOLLYWOOD BOULEVARD; SUITE 695-S; HOLLYWOOD, FLORIDA 33021
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (305)967-6700

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 THE FILING REQUIREMENTS FOR AT LEAST THE PAST 90 DAYS.

YES X NO

INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE REGISTRANT'S CLASSES OF COMMON STOCK, AS OF THE LATEST PRACTICABLE DATE:

9,721,971 SHARES OF COMMON STOCK, $.001 PAR VALUE

INDEX

<TABLE>
<CAPTION>

Bayport Restaurant Group, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

For the Three Months Ended September 25, 1995 and September 26, 1994

(Unaudited)

<S>	September 25, 1995 <C>	September 26, 1994 <C>
Revenues		
Restaurant Sales	$ 12,436,976	$ 8,574,255
Processing Plant Sales	2,343,148	966,934
Interest and other	67,300	92,596
Total Revenues	$ 14,847,424	$ 9,633,785
Costs and expenses		
Cost of sales	4,475,543	3,051,396
Payroll and related expenses	3,337,996	2,079,872
Other operating expenses	2,098,948	1,530,544
Occupancy and related expenses	942,051	727,703
Processing plant cost of sales and operating expenses	1,985,183	974,752
Restaurant opening expenses	273,191	97,922
General and administrative	954,755	811,414
Interest expense	151,186	43,929
Total costs and expenses	14,218,853	9,317,532
Earnings before income taxes	628,571	316,253
Provision for income taxes	213,714	88,551
NET EARNINGS	414,857	227,702
Earnings Per Share		
Net earnings	.04	.02
Weighted average number of shares outstanding	10,597,506	10,433,125

</TABLE>

The accompanying notes are an integral part of these statements

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Bayport Restaurant Group, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

For the Nine Months Ended September 25, 1995 and September 26, 1994

(Unaudited)

<S>	September 25, 1995 <C>	September 26, 1994 <C>
Revenues		
Restaurant Sales	$ 34,743,390	$ 25,740,173
Processing Plant Sales	5,744,189	2,651,906
Interest and other	123,090	283,337
Total Revenues	$ 40,610,669	$ 28,675,416
Costs and expenses		
Cost of sales	12,292,895	9,063,893
Payroll and related expenses	8,610,591	6,216,592
Other operating expenses	5,491,370	4,260,842
Occupancy and related expenses	2,747,057	2,146,880
Processing plant cost of sales and operating expenses	5,618,292	2,665,043
Restaurant opening expenses	488,901	188,024
General and administrative	3,063,966	2,549,114
Interest expense	151,186	111,964
Total costs and expenses	38,464,258	27,202,352
Earnings before income taxes	2,146,411	1,473,064
Provision for income taxes	729,780	412,458
NET EARNINGS	1,416,631	1,060,606
Earnings Per Share		
Net earnings	.14	.10
Weighted average number of shares outstanding	10,476,192	10,438,007

</TABLE>

The accompanying notes are an integral part of these statements

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Bayport Restaurant Group, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

September 25, 1995 and December 26, 1994

(Unaudited)

ASSETS

<S>	September 25, 1995 <C>	December 26, 1994 <C>

CURRENT ASSETS		
Cash and cash equivalents	$ 1,273,693	$ 404,513
Investments in marketable securities	1,028,874	5,205,557
Accounts receivable	1,631,970	1,452,789
Inventories	3,231,902	2,847,324
Prepaid expenses and other current assets	975,656	586,912
Deferred Pre-opening costs	1,203,928	217,980
Total current assets	9,346,023	10,715,075
PROPERTY AND EQUIPMENT - AT COST, less accumulated depreciation	26,831,054	16,346,073
OTHER ASSETS		
Investments in marketable securities	300,000	300,000
Notes Receivable	125,000	---
Deposits	483,537	254,187
Other (Note 2)	2,588,059	804,952
Goodwill	101,523	105,911
Total other assets	3,598,119	1,465,050
TOTAL ASSETS	39,775,196	28,526,198

</TABLE>

The accompanying notes are an integral part of these statements

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<CAPTION>

Bayport Restaurant Group, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

September 25, 1995 and December 26, 1994

(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

<S>	September 25, 1995 <C>	December 26, 1994 <C>
CURRENT LIABILITIES		
Current maturities of long-term obligations	$ 275,369	$ 489,368
Due to related parties	94,332	94,332
Accounts payable	2,880,969	1,215,739
Income taxes payable	---	29,150
Accrued liabilities	1,286,138	805,544
Total current liabilities	4,536,808	2,634,133
LONG-TERM OBLIGATIONS	10,737,271	3,520,449
DUE TO RELATED PARTIES	1,179,167	1,257,779
DEFERRED INCOME TAXES	801,830	107,250
STOCKHOLDERS' EQUITY		
Preferred stock - authorized and issued 15,000,000 shares of $.01 par value; issued and outstanding 2,446,249 shares at September 25, 1995 and 2,700,055 shares at December 26, 1994	24,462	27,001
Common stock - authorized 50,000,000 shares of $.001 par value; issued 9,721,971 shares at September 25, 1995		

and 9,403,722 at December 26, 1994	9,722	9,404
Paid in capital	22,098,358	21,941,526
Retained earnings (deficit)	772,347	(644,284)
	22,904,889	21,333,647
Net unrealized losses on investment in marketable securities	---	(55,191)
Notes receivable from officers	(384,769)	(271,869)
Total stockholders' equity	22,520,120	21,006,587
Total Liabilities & Stockholders' Equity	39,775,196	28,526,198

</TABLE>

The accompanying notes are an integral part of these statements

<TABLE>
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Bayport Restaurant Group, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 25, 1995 and September 26, 1994

(Unaudited)

<S>	<C> September 25, 1995	<C> September 26, 1994
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 1,416,631	$ 1,060,606
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities		
Increase in deferred tax liability	694,580	412,458
Depreciation of property plant and equipment	845,216	646,841
Amortization of intangible assets	37,089	9,195
Recognition of deferred Income	---	(1,515)
(Increase) in accounts receivable	(179,181)	(66,130)
(Increase) in inventories	(384,578)	(104,819)
(Increase) decrease in pepaid epenses and other current assets	(388,744)	(239,207)
Increase in accounts payable and accrued expenses	2,116,674	(57,083)
(Increase) in deposits, goodwill and other assets	(2,133,069)	(458,702)
Decrease in deferred preopening costs	(985,948)	(147,833)
Net cash provided by operating activities	1,038,670	1,053,811
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(11,430,486)	(3,762,950)
Investments in marketable securities	---	(58,022)
Proceeds from sale and maturity of marketable securities	4,200,529	2,800,000

Net Cash used in investing activities	(7,229,957)	(1,020,972)

</TABLE>

The accompanying notes are an integral part of these statements

<TABLE>
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Bayport Restaurant Group, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS - CON'T

For the Nine Months Ended September 25, 1995 and September 26, 1994

(Unaudited)

<S>	September 25, 1995 <C>	September 26, 1994 <C>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal borrowings of long-term debt	$ 12,339,578	$ 350,000
Principal payments of debt	(5,279,111)	(1,242,791)
Proceeds from issuance of stock	---	23,530
Repayment of notes receivable from officers	---	---
Dividends paid to minority stockholder	---	---
Net cash used in financing activities	7,060,467	(869,261)
Increase (decrease) in cash and cash equivalents	869,180	(836,422)
Cash and cash equivalents at beginning of the period	404,513	1, 094,545
Cash and cash equivalents at end of the period	1,273,693	258,123
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for interest	210,434	111,964

</TABLE>

The accompanying notes are an integral part of these statements

Bayport Restaurant Group, Inc. and Subsidiaries

BASIS OF PRESENTATION

RESULTS OF OPERATIONS FOR THE INTERIM PERIODS ARE NOT NECESSARILY INDICATIVE OF THE RESULTS TO BE ATTAINED FOR THE ENTIRE PERIOD. IN THE OPINION OF THE COMPANY, THE ACCOMPANYING UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTAIN ALL ADJUSTMENTS (CONSISTING ONLY OF NORMAL RECURRING ACCRUALS) NECESSARY TO PRESENT FAIRLY THE CONSOLIDATED FINANCIAL POSITION AS OF SEPTEMBER 25, 1995 AND DECEMBER 26, 1994 AND RESULTS OF OPERATIONS AND CASH FLOWS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 25, 1995 AND SEPTEMBER 26, 1994. FOR A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ADDITIONAL FINANCIAL INFORMATION, SEE THE COMPANY'S

ANNUAL REPORT ON FORM 10-KSB FOR THE FISCAL YEAR ENDED DECEMBER 26, 1994 ("FORM 10-KSB"). EXCEPT AS OTHERWISE NOTED, ALL PER-SHARE INFORMATION IN THIS FORM 10-Q REFLECTS THE ONE-FOR-FOUR REVERSE SPLIT EFFECTED ON AUGUST 18, 1993.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 The estimated effective rate for income tax in 1995 has increased to 34% compared to 28% recorded in 1994, due to the utilization of all net operating loss carryforwards in 1994 for financial reporting purposes.

Note 2 The increase in Other Assets is primarily attributable to the classification of the Company's investment in the Crab House at the Grand Casino Hotels in Biloxi and Gulfport. Pursuant to these leases, the Company will be reimbursed for its investment in each of these restaurants over the next 7 - 10 years at the rate of approximately $150,000 per year.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's current ratio at September 25, 1995 was approximately 2.1 to 1, compared to approximately 4.1 to 1 at December 26, 1994. The decrease in the Company's current ratio is primarily attributable to the decrease in investments in marketable securities. The Company has used the proceeds from the sale of the marketable securities as part of the capital required to finance the Company's restaurant expansion program. Accounts receivable at September 25, 1995 increased approximately $180,000. This is primarily due to increased sales at the Company's seafood processing plant. The increase in inventories as of September 25, 1995 is due to the production season of the Company's seafood processing plant, which generally runs from June through November. The increase in prepaid expenses and pre-opening costs at September 25, 1995 is primarily attributable to the costs associated with opening new restaurants. Since the beginning of 1995, the Company has opened three Crab House restaurants and two Capt. Crab's Take-Aways. The Company anticipates opening an additional three to four and one Crab House restaurants, respectively, during the fourth quarter of 1995 and the first quarter of 1996. Further, the Company has entered into leases for an additional four Crab House restaurant sites. The increase in property and equipment at September 25, 1995 is the result of the new restaurants opened year-to-date and the construction in progress of new restaurants to be opened during 1995 and 1996.

The note receivable at September 25, 1995 of $125,000 represents a loan made to the Company's Chief Executive Officer, David J. Connor on April 15, 1995. The Note bears interest at the rate of 10% per annum, payable monthly, and is due and payable in full on April 15, 1997.

The increase in deposits is the result of new leases entered into and new store deposits required in connection with the Company's expansion program. The increase in Other Assets is primarily attributable to the classification of the Company's investment in the Crab House at the Grand Casino Hotels in Biloxi and Gulfport. Pursuant to these leases, the Company will be reimbursed for its investment in each of these restaurants over the next 7 - 10 years at the rate of approximately $150,000 per year.

The increase in accounts payable and accrued expenses at September 25, 1995 compared to December 26, 1994 is primarily attributable to the opening, operating and construction of new restaurants.

Effective December 14, 1994, the Company and each of its wholly-owned subsidiaries (the "Subsidiaries") entered into a Revolving Credit and Term Loan Agreement (the "Credit Agreement") with The First National Bank of Boston, as Agent, and with The First National Bank of Boston and Capital Bank, as "Lenders". In accordance with the Credit Agreement, the Lenders have granted to the Company a credit facility in the amount of $14.0 million. The credit facility is for a term of seven years and is structured in two parts: (i) for the first three years, the facility is structured as a revolving loan; (ii) at the end of three years, so long as the Company is not then in default under the Credit Agreement, the Company may convert the amount then due and payable to the Lenders into a term loan payable in quarterly principal installments over an additional four year period. So long as the Company is not in then default under the Credit Agreement, no principal payments are due during the period that the credit

facility is structured as a revolving loan. For all purposes hereunder, "Loans" shall refer collectively to the revolving and term loan portions of this credit facility.

The Company pays interest on the Loans at the Bank's "Base Rate", as announced from time to time, plus one-half percent (.5%). Interest is payable monthly. Additionally, in connection with the Loans, the Company paid a closing fee to the Lenders in the aggregate amount of $96,000, and will pay the following additional fees to the Lenders: (i) commencing after the first anniversary of the Credit Agreement, a commitment fee equal to 3/8 of one percent on the unused portion of the revolving loan; and (ii) a fee for early termination of the revolving portion of the credit facility.

The Company's obligations to the Lenders under the Credit Agreement are secured by a lien on all of the Company's personal property, including account receivables, inventory, equipment and general intangibles. The Loans are also secured by a pledge from the Company of the outstanding common stock of each of the Subsidiaries.

Under the Credit Agreement, the Company is required to comply with certain affirmative and negative covenants. These covenants require the Company to, among other things, maintain adequate insurance on its properties, promptly pay all taxes and other governmental assessments and charges, promptly provide the Lenders with copies of its periodic reports filed with the Securities and Exchange Commission and permit the Lender to conduct periodic inspections of its operations. In addition, these covenants place limitations on, among other things, the Company's future borrowings, capital expenditures, dividend payments and redemptions of securities. Furthermore, the Credit Agreement requires the Company to maintain certain minimum tangible net worth levels throughout the term of the agreement and to remain in compliance with certain financial ratios including, but not limited to, a leverage ratio, a ratio of senior bank indebtedness to tangible net worth, a ratio of senior bank indebtedness to earnings before taxes and depreciation and amortization with all of the financial ratios under the Credit Agreement. As of September 25, 1995, the Company was in compliance with all of the financial ratios under the Credit Agreement, and the Company believes it is currently in compliance with all of the covenants of the Credit Agreement. As of September 25, 1995, $9,819,578 was outstanding under the Credit Agreement.

The Company expects that its current working capital, cash flow from operations, and the proceeds from the credit facility described above will be sufficient to open all of the restaurants scheduled to open during 1995. The Company intends to seek to raise additional capital to continue its expansion program. Capital may be obtained from additional borrowings from financial institutions or from sales of the Company's equity securities. The Company anticipates that it will be able to raise the capital required to continue its expansion program during future periods, however, there can be no assurance that the Company will be successful in such effort.

RESULTS OF OPERATIONS

Total revenues for the quarter ended September 25, 1995 were $14,847,424 representing an increase of approximately 54% over total revenues of $9,633,785 for the same quarter of 1994. The increase in total revenues is attributable to same store sales increases of 6.0% and the opening of three (3) additional restaurants from period to period. Additionally, the Company's seafood processing plant in North Carolina had a 142% increase in sales for the quarter ended September 25, 1995 over the corresponding quarter last year. Total revenues for the nine months ended September 25, 1995 were $40,610,669, an increase of approximately 42% over total revenues for the nine months ended September 26, 1994. An

increase in same store sales for the nine months ended September 25, 1995 of 6% and the opening of eight (8) additional restaurants contributed to the increase in total revenues for the nine month period ended September 25, 1995. Since three of the eight restaurants were opened during the first six months of 1994, reserves for 1995 includes a full nine (9) months of revenues for these restaurants. Additionally, for the nine months ended September 25, 1995, sales at the Company's processing plant increased approximately 117% over those for the same period last year.

Cost of sales as a percentage of restaurants sales was 35.6% and 35.2% for the quarter and nine months ended September 26, 1994, respectively, compared to 36% and 35.4% for the quarter and nine months ended September 25, 1995. This increase was primarily attributable to increases in seafood commodity pricing. Operating expenses (consisting primarily of payroll, occupancy and other operating expenses) as a percentage of restaurant sales increased for the three months ended September 25, 1995 and decreased for the nine months ended September 25, 1995 over the same periods in 1994 from 51.3% to 50.6% and 48.5% to 49.0%, respectively. The actual increase in operating expenses results from the operations of additional restaurants opened from period to period. The percentage increase is principally due to the large number of new restaurants opened from period to period, since new restaurants traditionally run much higher costs during the first several months of operations. The decrease in operating expenses for the nine months ended September 25, 1995 results from a reduction of payroll and related expenses and from increased sales at existing restaurant locations. Store operating income for the third quarter of 1995 decreased to 13% from 14% for the same quarter in 1994. Store operating income for the nine months ended September 25, 1995 and September 28, 1994 remained a constant 16%. The decrease during the third quarter of 1995 is primarily attributable to new store openings. Same store operating profit increased by 34% and 27% for the three and nine months ended September 25, 1995, respectively, over the corresponding periods last year. For the three months and nine months ended September 25, 1995, the Company's processing plant recorded income of $357,965 and $125,897, respectively, compared to losses of $7,818 and $13,137 for the same period in 1994. The increase is primarily attributable to increased sales.

General and administrative expenses ("G&A") expenses for the quarter and nine months ended September 25, 1995 were $954,755 and $3,063,966, respectively, representing an increase of 18% and 20%, respectively over the third quarter and nine month period ended September 26, 1994. The increase in G&A expenses for the three months and nine months ended September 25, 1995 resulted principally from the increased personnel at the corporate level and the addition of two regional managers for the supervision of restaurant operations. G&A expenses as a percentage of total revenues for the third quarter and nine month period ended September 25, 1995 was 6% and 8%, respectively. This compares to 8% and 9% for the corresponding periods in 1994.

Restaurant opening expenses increased to $273,191 and $488,901 for the quarter and nine month period ended September 25, 1995. The increase results from the amortization of the costs incurred in the opening of additional restaurants. The Company anticipates that restaurant opening expenses will increase significantly during future periods as the Company opens additional restaurants under its current expansion program.

Earnings before income taxes for the third quarter and nine month period ended September 25, 1995 increased by 99% and 46% over the same periods in 1994. Net earnings for the third quarter and nine months ended September 25, 1995 were $414,857 and $1,416,631, respectively, which represent an increase of 82% and 34%, respectively, over the third quarter and nine months ended September 26, 1994. For 1995, income tax expense increased to an effective rate of 34% compared to the 28% effective

tax rate recorded in 1994. The increase in earnings is attributable to increased sales at the Company's restaurants, improvement in store operating margins and the opening of additional restaurants.

PART II - OTHER INFORMATION

Item 1. LITIGATION

Not applicable.

Item 2. CHANGES IN SECURITIES

Not applicable.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES-HOLDERS

No matters were presented to the Shareholders during the third quarter of 1995.

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) Exhibits

None

(B) Reports of Form 8-K

There were no reports on Form 8-K filed during the period.

BAYPORT RESTAURANT GROUP, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S>	<C>	<C>
/S/ WILLIAM D. KORENBAUM ------------------------- William D. Korenbaum	President, Chief Financial and Operating Officer	November 9, 1995
/S/ DAVID J. KIRINCIC ---------------------- David J. Kirincic	Controller and Chief Accounting Officer	November 9, 1995

</TABLE>

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<ARTICLE> 5
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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM 10-Q
AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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<F3>Includes Long-Term Obligations, Due to Related Parties and Deferred
Income Taxes.
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<F4>Not applicable.
</FN>

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