

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: 1995-05-10 | Period of Report: 1995-03-29  
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FILER

**RYANS FAMILY STEAKHOUSES INC**

CIK: 355622 | IRS No.: 570657895 | State of Incorporation: SC | Fiscal Year End: 0102  
Type: 10-Q | Act: 34 | File No.: 000-10943 | Film No.: 95536200  
SIC: 5812 Eating places

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P O BOX 100  
GREER SC 29652

Business Address  
405 LANCASTER AVE  
PO BOX 100  
GREER SC 29652  
8038791000

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

For the Quarter ended March 29, 1995

Commission File No. 0-10943

RYAN'S FAMILY STEAK HOUSES, INC.  
(Exact name of registrant as specified in its charter)

South Carolina  
(State or other jurisdiction  
of incorporation)

No. 57-0657895  
(I.R.S. Employer  
Identification No.)

405 Lancaster Avenue  
P. O. Box 100  
Greer, South Carolina 29652  
(Address of principal executive  
offices, including zip code)

803-879-1000  
(Registrant's telephone number, including area code)

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-  
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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      X      No      \_\_\_\_\_

The number of shares outstanding of each of the registrant's classes of common stock as of March 29, 1995:

53,440,000 shares of common stock, \$1.00 Par Value

<TABLE>

PART I. FINANCIAL INFORMATION

RYAN'S FAMILY STEAK HOUSES, INC.

CONSOLIDATED STATEMENTS OF EARNINGS  
(Unaudited)

	Quarter Ended	
	March 29, 1995	March 30, 1994
<S>	<C>	<C>
Restaurant sales	\$117,266,000	106,892,000
Operating expenses:		
Food and beverage	47,592,000	43,142,000
Payroll and benefits	33,973,000	29,983,000
Depreciation	4,515,000	4,168,000
Amortization of pre-opening costs	499,000	660,000
Other operating expenses	14,409,000	12,854,000
Total operating expenses	100,988,000	90,807,000
General and administrative expenses	5,302,000	4,837,000
Interest expense	431,000	102,000
Revenues from franchised restaurants	(463,000)	(73,000)
Other income	(600,000)	(319,000)
Earnings before income taxes	11,608,000	11,538,000
Income taxes	4,295,000	4,269,000
Net earnings	\$7,313,000	7,269,000
Net earnings per common and common equivalent share	\$ .14	.14
Weighted average shares	53,440,000	53,415,000

</TABLE>

See accompanying notes to consolidated financial statements.

<TABLE>

RYAN'S FAMILY STEAK HOUSES, INC.

CONSOLIDATED BALANCE SHEETS

	March 29, 1995	December 28, 1994
ASSETS	(Unaudited)	

## Current assets:

<S>	<C>	<C>
Cash and cash equivalents	\$ 225,000	695,000
Receivables	1,639,000	1,665,000
Inventories	3,253,000	2,843,000
Deferred income taxes	2,563,000	2,563,000
Other current assets	1,166,000	1,227,000
Total current assets	8,846,000	8,993,000

## Property and equipment:

Land and improvements	87,256,000	86,154,000
Buildings	206,303,000	200,997,000
Equipment	140,549,000	137,968,000
Construction in progress	37,315,000	27,845,000
	471,423,000	452,964,000
Less accumulated depreciation	92,629,000	87,988,000
Net property and equipment	378,794,000	364,976,000

Other assets	5,751,000	5,787,000
	\$393,391,000	379,756,000

## LIABILITIES AND SHAREHOLDERS' EQUITY

## Current liabilities:

Notes payable	66,600,000	65,700,000
Accounts payable	14,094,000	12,615,000
Income taxes payable	4,556,000	438,000
Accrued liabilities	20,921,000	21,174,000
Total current liabilities	106,171,000	99,927,000

Deferred income taxes	10,517,000	10,474,000
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## Shareholders' equity:

Common stock of \$1.00 par value; authorized 100,000,000 shares; issued 53,440,000 shares in 1995 and 53,434,000 shares in 1994	53,440,000	53,434,000
Additional paid-in capital	6,628,000	6,599,000
Retained earnings	216,635,000	209,322,000
Total shareholders' equity	276,703,000	269,355,000
	\$393,391,000	379,756,000

&lt;/TABLE&gt;

See accompanying notes to consolidated financial statements.

&lt;TABLE&gt;

RYAN'S FAMILY STEAK HOUSES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

Quarter Ended

	March 29, 1995	March 30, 1994
Cash flows from operating activities:		
<S>	<C>	<C>
Net earnings	\$ 7,313,000	7,269,000
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	5,145,000	5,041,000
Gain on sale of property and equipment	(100,000)	-
Decrease (increase) in:		
Receivables	26,000	55,000
Inventories	(410,000)	(215,000)
Other current assets	(438,000)	(640,000)
Other assets	33,000	(676,000)
Increase (decrease) in:		
Accounts payable	1,479,000	2,264,000
Income taxes	4,118,000	2,693,000
Accrued liabilities	(253,000)	4,721,000
Deferred income taxes	43,000	43,000
Net cash provided by operating activities	16,956,000	20,555,000
Cash flows from investing activities:		
Proceeds from sale of property and equipment	319,000	-
Capital expenditures	(18,680,000)	(17,991,000)
Net cash used in investing activities	(18,361,000)	(17,991,000)
Cash flows from financing activities:		
Net borrowings (repayment) of notes payable	900,000	(1,700,000)
Proceeds from the issuance of common stock	35,000	25,000
Net cash provided (used) by financing activities	935,000	(1,675,000)
Net increase (decrease) in cash and cash equivalents	(470,000)	889,000
Cash and cash equivalents - beginning of period	695,000	1,946,000
Cash and cash equivalents - end of period	\$ 225,000	2,835,000

</TABLE>

See accompanying notes to consolidated financial statements.

<TABLE>

RYAN'S FAMILY STEAK HOUSES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

I. For the Quarter ended March 29, 1995  
(Unaudited)

	Additional			
Common	Paid-In	Retained		
Stock	Capital	Earnings		Total

<S>	<C>	<C>	<C>	<C>
Balances at December 28, 1994	\$53,434,000	6,599,000	209,322,000	269,355,000
Net earnings	-	-	7,313,000	7,313,000
Issuance of common stock under Stock Option Plans	6,000	29,000	-	35,000
Balances at March 29, 1995	\$53,440,000	6,628,000	216,635,000	276,703,000

II. For the Quarter ended March 30, 1994  
(Unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balances at December 29, 1993	\$53,415,000	6,513,000	178,778,000	238,706,000
Net earnings	-	-	7,269,000	7,269,000
Issuance of common stock under Stock Option Plans	6,000	19,000	-	25,000
Balances at March 30, 1994	\$53,421,000	6,532,000	186,047,000	246,000,000

</TABLE>

See accompanying notes to consolidated financial statements.

RYAN'S FAMILY STEAK HOUSES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 29, 1995  
(Unaudited)

Note 1. Basis of Presentation

The consolidated financial statements include the financial statements of Ryan's Family Steak Houses, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principals for interim financial information and the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of

management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Consolidated operating results for the quarter ended March 29, 1995 are not necessarily indicative of the results that may be expected for the fiscal year ending January 3, 1996. For further information, refer to the financial statements and footnotes included in the Company's annual report on Form 10-K for the fiscal year ended December 28, 1994.

#### Note 2. Earnings Per Share

Earnings per share are computed based on the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares are represented by shares under option.

#### Note 3. Reclassifications

Certain 1994 amounts in the accompanying consolidated financial statements have been reclassified to conform to the 1995 presentation.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### RESULTS OF OPERATIONS

##### Quarter Ended March 29, 1995 versus March 30, 1994

The Company experienced strong sales growth during the first quarter of 1995 with restaurant sales up 10% over the comparable quarter of 1994. Substantially all of the increase resulted from the 9% unit growth of Company-owned restaurants, which totaled 215 at March 29, 1995 and 198 at March 30, 1994. The 1995 store count was comprised of 213 Ryan's restaurants and 2 other restaurants, each representing a different test concept (see "Liquidity and Capital Resources"). The 1994 store count was comprised entirely of Ryan's restaurants. Same-store sales, or average unit sales in restaurants that have been open for at least 18 months and operating during comparable weeks during the current and prior year, increased 0.2% during the quarter compared to a 0.0% change during the first quarter of 1994.

Sales results for 1995 were favorably affected by the rollout of scatter bars into its Ryan's restaurants. This format breaks the Mega Bar into five island bars

for easier customer access and more food variety. At March 29, 1995, scatter bars had been installed in 136 Ryan's, or 64% of all company-owned units. Included in these installations were 99 retrofits, of which 74 were completed after the first half of 1994. All new restaurants since late-1993 have opened with scatter bars. Management anticipates that most Ryan's will have scatter bars by the end of 1995.

Total costs and expenses of Company-owned restaurants include food and beverage, payroll, payroll taxes and employee benefits, depreciation and amortization, repairs, maintenance, utilities, supplies, advertising, insurance, property taxes and licenses. Such costs, as a percentage of sales, were 86.1% during the first quarter of 1995 compared to 85.0% in 1994. In 1995, payroll and benefits increased to 29.0% of sales compared to 28.0% in 1994 due to new customer service programs involving both increased restaurant staffing and various training programs. Food costs increased slightly to 40.6% of sales compared to 40.4% in 1994 due to higher produce costs occurring late in the quarter as a result of flooding in California. All other operating costs, including depreciation and amortization of pre-opening costs, decreased slightly to 16.5% of sales in 1995 compared to 16.6% in 1994. Based on these factors, the Company's gross operating margins at the restaurant level were 13.9% and 15.0% for the first quarters of 1995 and 1994, respectively.

General and administrative expenses remained steady at 4.5% of sales during both 1995 and 1994.

Interest expense increased by \$329,000 to 0.4% of sales, resulting principally from less capitalized interest, which reflects 1995's lower level of construction activity in relation to the Company's outstanding debt. Also, the Company's effective average interest rate increased to 6.4% in 1995 compared to 3.6% in 1994.

Franchise revenues for the first quarter of 1995 increased significantly, amounting to \$463,000, or 0.4% of sales, compared to \$73,000 (0.1% of sales) in 1994, due principally to restored royalty fee payments from the Company's largest franchisee. Prior to the third quarter of 1994, this franchisee had not paid any royalty fees since August 1993, and, accordingly, royalty fees earned during the first quarter of 1994 were not recognized as revenue at March 30, 1994. In July 1994, an agreement with the franchisee regarding



both future and past-due royalty fees was reached. The details of this agreement are noted in the Company's annual report on Form 10-K for the fiscal year ended December 28, 1994 under "Management's Discussion and Analysis of Financial Condition and Results of Operations: Results of Operations - 1994 Compared to 1993." All required payments subsequent to the agreement have been made in a timely manner, and, accordingly, the revenue recognition, albeit on a cash basis, has been restored. At March 29, 1995, there were 30 franchised Ryan's compared to 33 at March 30, 1994.

An effective income tax rate of 37.0% was used for the first quarters of both 1995 and 1994.

Net earnings for the first quarter of 1995 amounted to \$7.31 million compared to \$7.27 million in 1994.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's restaurant sales are primarily derived from cash. Inventories are purchased on credit and are rapidly converted to cash. Therefore, the Company does not maintain significant receivables or inventories, and other working capital requirements for operations are not significant.

At March 29, 1995, the Company's working capital was a \$97.3 million deficit compared to a \$90.9 million deficit at December 28, 1994. Included in these amounts are borrowings of \$66.6 million and \$65.7 million, respectively, under bank lines of credit (see next paragraph). The Company does not anticipate any adverse effects from the current working capital deficit due to significant cash flow provided by operations, which amounted to \$17.0 million for the quarter ended March 29, 1995 and \$54.7 million for the year ended December 28, 1994.

The Company is also actively progressing with several casual-dining concepts. As noted earlier, the 1995 restaurant count at March 29, 1995 includes 2 such units, each representing a different concept. One of these restaurants was converted from an existing Ryan's, while the other was new construction. Both restaurants are currently serving as test units, and further expansion of these concepts will be limited pending review of their operating results. The Company plans to test another concept, which will open during the second quarter of 1995.

Total capital expenditures for the first quarter of 1995 amounted to \$18.7 million. During the quarter, Ryan's opened 6 new restaurants and closed 3 underperforming stores. For 1995, Ryan's plans to open 24 restaurants, remodel another 20 restaurants and install scatter bars in approximately 75 to 100 restaurants. Total capital expenditures for 1995 are estimated at approximately \$70 million. Management estimates that external funding requirements in 1995 will range from \$10 million to \$15 million. The Company has formal and informal bank lines of credit totaling \$95 million at floating short-term rates, of which \$66.6 million was utilized and classified as current debt at March 29, 1995. The Company owns all of its property and equipment and is under no significant lease obligations other than for three parcels of land which are under lease for at least 35 years.

#### IMPACT OF INFLATION

The Company's operating costs that may be affected by inflation consist principally of food, payroll and utility costs. Produce costs are expected to be higher than normal during the second quarter due to lower supplies resulting from recent floods in California. Beef costs are also expected to increase slightly during the second and third quarters in response to normal seasonal trends. Additionally, a significant number of the Company's restaurant employees are paid at the minimum wage and, accordingly, legislated changes to the minimum wage will affect the Company's payroll costs. The Federal minimum wage last increased in April 1991, and while no additional increases have been legislated, the topic continues to be actively debated within the Federal government. Finally, future benefit costs may be affected by future legislated changes in medical insurance coverage.

The Company considers its current price structure to be very competitive. This factor, among others, is considered by the Company when passing increased costs on to its customers. Annual menu price increases have consistently ranged from 1% to 3%.

#### PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None reportable.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

(a) The Registrant's Annual Meeting of Shareholders was held on April 27, 1995.

(b) All members of the Board of Directors, consisting of Messrs. Way, Cockman, Edwards, MacKenzie, McCranie, Roberts and Shoemaker were re-elected as Directors.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) None.

(b) On February 9, 1995, the Company filed a report on Form 8-K regarding the adoption of a Shareholder Rights Agreement.

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

RYAN'S FAMILY STEAK HOUSES,  
INC.

(Registrant)

May 10, 1995  
Executive Officer

/s/Charles D. Way  
Charles D. Way  
Chairman, President and Chief

May 10, 1995

Treasurer

/s/Fred T. Grant, Jr.  
Fred T. Grant, Jr.  
Vice President-Finance and

May 10, 1995

/s/Richard D. Sieradzki  
Richard D. Sieradzki  
Controller

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