

IGNITE RESTAURANT GROUP, INC.

FORM 8-K (Current report filing)

Filed 08/03/16 for the Period Ending 07/28/16

Address	10555 RICHMOND AVENUE HOUSTON, TX 77042
Telephone	(713) 366-7500
CIK	0001526796
Symbol	IRG
SIC Code	5812 - Eating Places
Industry	Restaurants
Sector	Services

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): July 28, 2016

IGNITE RESTAURANT GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Company or organization)

001-35549
(Commission File Number)

94-3421359
(I.R.S. Employer
Identification No.)

10555 Richmond Avenue, Houston, Texas
(Address of principal executive offices)

77042
(Zip Code)

Registrant's telephone number, including area code: (713) 366-7500

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

Item 2.02. Results of Operations and Financial Condition.

On August 3, 2016, Ignite Restaurant Group, Inc. (the “Company”) issued a press release reporting financial results for the quarter ended June 27, 2016. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated by reference herein. In the press release, the Company used non-GAAP financial measures discussed in Appendix A hereto (incorporated herein by reference), which contains certain statements of the Company’s management regarding the use and purpose of the non-GAAP financial measures used therein.

The information contained in this Current Report on Form 8-K, including the Exhibits attached hereto, is being furnished and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. Furthermore, the information contained in this Current Report on Form 8-K shall not be deemed to be incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 3.01. Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard; Transfer of Listing.

On July 28, 2016, the Company received a letter from the NASDAQ Stock Market stating that the Company was not in compliance with NASDAQ Marketplace Rule 5450(b)(3)(C) because the Market Value of Publicly Held Shares (“MVPHS”) closed below the required minimum of \$15,000,000.00 for the previous 30 consecutive business days.

In accordance with NASDAQ rules, the Company has a period of 180 calendar days to regain compliance with the minimum MVPHS rule. If at any time before January 24, 2017, the Company’s MVPHS closes at \$15,000,000.00 or higher for a minimum of 10 consecutive business days, NASDAQ will notify the Company that it has regained compliance with the minimum MVPHS rule.

The Company has notified NASDAQ of its intention to regain compliance with the NASDAQ MVPHS requirement. The Company is in compliance with all other NASDAQ listing standards. This notification has no immediate effect on the listing of the Company’s common stock.

If the Company is unable to regain compliance with Rule 5450(b)(3)(C) by January 24, 2017, the Company can submit an application to transfer its securities to the NASDAQ Capital Market, if it meets the continued listing requirements in effect for the NASDAQ Capital Market at that time.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press release dated August 3, 2016.

Signatures

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.

Date: August 3, 2016

IGNITE RESTAURANT GROUP, INC.

By: /s/ Brad A. Leist
Brad A. Leist
Senior Vice President and Chief Financial Officer

APPENDIX A

Use of Non-GAAP Financial Measures

We occasionally utilize financial measures and terms not calculated in accordance with accounting principles generally accepted in the United States (“GAAP”) to evaluate our operating performance. These non-GAAP measures are provided to enhance the reader’s overall understanding of our current financial performance. These measurements are used by many investors as a supplemental measure to evaluate the overall operating performance of companies in our industry. Management believes that investors’ understanding of our performance is enhanced by including these non-GAAP financial measures as a reasonable basis for comparing our ongoing results of operations. Many investors are interested in understanding the performance of our business by comparing our results from ongoing operations from one period to the next and would ordinarily add back events that are not part of normal day-to-day operations of our business. Management and our principal stockholder also use such measures as measurements of operating performance, for planning purposes, and to evaluate the performance and effectiveness of our operational strategies.

These non-GAAP measures may not be comparable to similarly titled measures used by other companies and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. We have provided a definition below for these non-GAAP financial measures, together with an explanation of why management uses these measures and why management believes that these non-GAAP financial measures are useful to investors. In addition, we have provided a reconciliation of these non-GAAP financial measures utilized to their equivalent GAAP financial measures.

Adjusted income (loss) from continuing operations and adjusted income (loss) from continuing operations per share

We calculate adjusted income (loss) from continuing operations by eliminating from income (loss) from continuing operations the impact of items we do not consider indicative of our ongoing operations. Specifically, we believe that these non-GAAP measures provide greater comparability and enhanced visibility into our results of operations, excluding the impact of special charges and certain other expenses. Adjusted income (loss) from continuing operations represents income (loss) from continuing operations less items such as (a) costs related to conversions, remodels and closures, (b) gain on insurance settlements, (c) write-off of debt issuance costs and debt discount, (d) asset impairments, (e) the current and deferred income tax effect of the above described adjustments (calculated using a marginal year-to-date tax rate of 39.0% for the twenty-six weeks ended June 27, 2016 and 39.6% for the twenty-six weeks ended June 29, 2015), and (f) the deferred tax asset valuation allowance. We believe these measures provide additional information to facilitate the comparison of our past and present financial results. We utilize results that both include and exclude the identified items in evaluating business performance. However, our inclusion of these adjusted measures should not be construed as an indication that our future results will be unaffected by unusual or infrequent items. In the future, we may incur expenses or generate income similar to these adjustments.



For Immediate Release

Ignite Restaurant Group Reports Second Quarter 2016 Financial Results

Houston, TX—(BUSINESS WIRE)—August 3, 2016 - Ignite Restaurant Group (NASDAQ: IRG) today reported financial results for the second quarter ended June 27, 2016.

Highlights for the second quarter of 2016 were as follows:

- Total revenues were \$130.8 million, compared to \$143.2 million in the second quarter of 2015;
- Comparable restaurant sales decreased 6.7% company-wide, comprised of a 6.8% decrease at Joe's Crab Shack and a 6.3% decrease at Brick House Tavern + Tap;
- Loss from continuing operations was \$10.4 million, or \$0.40 per diluted share, compared to income from continuing operations of \$1.7 million, or \$0.07 per diluted share in the second quarter of 2015; and
- Adjusted loss from continuing operations (a non-GAAP measure) was \$1.1 million, or \$0.04 per diluted share, compared to adjusted income from continuing operations of \$2.3 million, or \$0.09 per diluted share in the second quarter of 2015.

Robert S. Merritt, Chief Executive Officer of Ignite Restaurant Group, stated, "The sales environment for casual dining has remained extremely challenging and even more so in the Texas market. Significant discounting last year also negatively impacted our comparable restaurant sales in both brands during the current quarter. Our primary focus for both brands continues to be increasing sales and margins through improved operational and menu execution. We have made good progress, but there is still more work to be done."

Review of Second Quarter 2016 Operating Results

Total revenues were \$130.8 million in the second quarter of 2016, a decrease of 8.7% compared to \$143.2 million in the second quarter of last year.

- Revenues at Joe's Crab Shack were \$108.4 million during the second quarter of 2016 versus \$122.4 million in the prior year second quarter. Comparable restaurant sales at Joe's Crab Shack decreased 6.8%.
- Revenues at Brick House Tavern + Tap were \$22.4 million in the second quarter of 2016 compared to \$20.8 million in the prior year second quarter. Comparable restaurant sales at Brick House Tavern + Tap decreased 6.3%.

Loss from continuing operations for the second quarter of 2016 was \$10.4 million, or \$0.40 per diluted share. The Company's loss from continuing operations for the second quarter of 2016 included certain non-recurring items, the more significant of which are asset impairment charges of \$8.0 million, a \$4.8 million deferred tax valuation allowance, and a \$0.8 million gain on insurance settlements. Excluding the impact of these items, adjusted loss from continuing operations and adjusted loss from continuing operations per diluted share (which are non-GAAP financial measures), net of tax, were \$1.1 million and \$0.04, respectively, in the second quarter of 2016.

Income from continuing operations for the second quarter of 2015 was \$1.7 million, or \$0.07 per diluted share. The Company's loss from continuing operations for the second quarter of 2015 also included certain non-recurring items, the most significant of which is a \$0.6 million deferred tax valuation allowance. Excluding the impact of these items, adjusted income from continuing operations and adjusted income from continuing operations per diluted share (which are non-GAAP financial measures), net of tax, were \$2.3 million and \$0.09, respectively, in the second quarter of 2015.

Liquidity

At June 27, 2016, the Company had \$7.0 million of cash and approximately \$25.9 million of available borrowing capacity under its current credit facility. The Company was in compliance with the financial covenants under the credit facility.

Conference Call

Ignite will host a conference call to discuss second quarter financial results today at 5:00 PM Eastern Standard Time. Hosting the call will be Robert S. Merritt, Chief Executive Officer, and Brad Leist, Chief Financial Officer.

The conference call can be accessed live over the phone by dialing 888-211-4435 or for international callers by dialing 913-312-1377. A replay will be available one hour after the call and can be accessed by dialing 877-870-5176 or 858-384-5517 for international callers; the password is 1307747. The replay will be available until Wednesday, August 10, 2016. The call will also be webcast live from the Company's website at www.igniterestaurants.com under the "Investors" section.

About Ignite Restaurant Group

Ignite Restaurant Group, Inc., headquartered in Houston, Texas, operates a portfolio of restaurant concepts, including Joe's Crab Shack and Brick House Tavern + Tap, in a diverse set of markets across the United States. Each brand offers a variety of high-quality food in a distinctive, casual, high-energy atmosphere. For more information on Ignite and its distinctive brands, visit www.igniterestaurants.com.

Cautionary Note Regarding Forward-Looking Statements

This press release includes "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements are subject to known and unknown risks and uncertainties, many of which may be beyond the Company's control. The Company cautions you that the forward-looking information presented in this press release is not a guarantee of future events, and that actual events and results may differ materially from those made in or suggested by the forward-looking information contained in this press release. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "plan," "seek," "comfortable with," "will," "expect," "intend," "estimate," "anticipate," "believe" or "continue" or the negative thereof or variations thereon or similar terminology.

A number of important factors could cause actual events and results to differ materially from those contained in or implied by the forward-looking statements included in this press release, including the risk factors discussed in the Company's Form 10-K for the year ended December 28, 2015 (which can be found at the SEC's website www.sec.gov). Each such risk factor is specifically incorporated into this press release. Any forward-looking information presented herein is made only as of the date of this press release, and the Company does not undertake any obligation to update or revise any forward-looking information to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

Results of Operations

The following tables present the consolidated statements of operations and selected other data for the thirteen and twenty-six weeks ended June 27, 2016 and June 29, 2015, and selected consolidated balance sheet information as of June 27, 2016 and December 28, 2015:

Consolidated Statements of Operations	Thirteen Weeks Ended June 27, 2016		Thirteen Weeks Ended June 29, 2015	
	(In thousands, except percent and per share data)			
Revenues	\$ 130,757	100.0%	\$ 143,170	100.0%
Costs and expenses				
Restaurant operating costs and expenses				
Cost of sales	42,657	32.6%	44,065	30.8%
Labor expenses	38,162	29.2%	39,990	27.9%
Occupancy expenses	10,176	7.8%	10,422	7.3%
Other operating expenses	27,279	20.9%	27,571	19.3%
General and administrative	5,684	4.3%	8,363	5.8%
Depreciation and amortization	6,117	4.7%	6,177	4.3%
Pre-opening costs	(5)	(0.0)%	46	0.0%
Asset impairments and closures	8,240	6.3%	53	0.0%
Loss on disposal of assets	323	0.2%	194	0.1%
Total costs and expenses	138,633	106.0%	136,881	95.6%
Income (loss) from operations	(7,876)	(6.0)%	6,289	4.4%
Interest expense, net	(3,248)	(2.5)%	(3,849)	(2.7)%
Gain on insurance settlements	763	0.6%	-	0.0%
Income (loss) from continuing operations before income taxes	(10,361)	(7.9)%	2,440	1.7%
Income tax expense	82	0.1%	709	0.5%
Income (loss) from continuing operations	(10,443)	(8.0)%	1,731	1.2%
Loss from discontinued operations, net	-	0.0%	(1,645)	(1.1)%
Net income (loss)	\$ (10,443)	(8.0)%	\$ 86	0.1%
Basic and diluted net income (loss) per share data:				
Net income (loss) per share				
Basic and diluted				
Income (loss) from continuing operations	\$ (0.40)		\$ 0.07	
Loss from discontinued operations, net	\$ -		\$ (0.06)	
Net income (loss)	\$ (0.40)		\$ 0.00	
Weighted average shares outstanding				
Basic	25,815		25,721	
Diluted	25,815		25,730	

Consolidated Statements of Operations**Twenty-Six Weeks Ended
June 27, 2016****Twenty-Six Weeks Ended
June 29, 2015**

(In thousands, except percent and per share data)

	\$ 248,656	100.0%	\$ 265,389	100.0%
Revenues				
Costs and expenses				
Restaurant operating costs and expenses				
Cost of sales	79,823	32.1%	82,666	31.1%
Labor expenses	74,084	29.8%	74,807	28.2%
Occupancy expenses	20,082	8.1%	20,644	7.8%
Other operating expenses	46,942	18.9%	49,670	18.7%
General and administrative	12,234	4.9%	16,758	6.3%
Depreciation and amortization	12,143	4.9%	12,406	4.7%
Pre-opening costs	876	0.4%	514	0.2%
Asset impairments and closures	8,433	3.4%	83	0.0%
Loss on disposal of assets	424	0.2%	352	0.1%
Total costs and expenses	<u>255,041</u>	<u>102.6%</u>	<u>257,900</u>	<u>97.2%</u>
Income (loss) from operations	(6,385)	(2.6) %	7,489	2.8%
Interest expense, net	(6,268)	(2.5) %	(7,725)	(2.9) %
Gain on insurance settlements	755	0.3%	-	0.0%
Loss from continuing operations before income taxes	(11,898)	(4.8) %	(236)	(0.1) %
Income tax expense	171	0.1%	1,229	0.5%
Loss from continuing operations	(12,069)	(4.9) %	(1,465)	(0.6) %
Loss from discontinued operations, net	-	0.0%	(20,684)	(7.8) %
Net loss	<u>\$ (12,069)</u>	<u>(4.9) %</u>	<u>\$ (22,149)</u>	<u>(8.3) %</u>

Basic and diluted net loss per share data:

Net loss per share				
Basic and diluted				
Loss from continuing operations	\$ (0.47)		\$ (0.06)	
Loss from discontinued operations, net	\$ -		\$ (0.80)	
Net loss	\$ (0.47)		\$ (0.86)	
Weighted average shares outstanding				
Basic	25,795		25,698	
Diluted	25,795		25,698	

Selected Consolidated Balance Sheet Information

	June 27, 2016	December 28, 2015
	(In thousands)	
Cash and cash equivalents	\$ 7,042	\$ 7,817
Total assets	186,572	205,182
Long term debt (including current portion)	119,721	124,733
Total liabilities	191,294	198,569
Total stockholders' equity (deficit)	(4,722)	6,613

	Thirteen Weeks Ended June 27, 2016	Thirteen Weeks Ended June 29, 2015	Twenty-Six Weeks Ended June 27, 2016	Twenty-Six Weeks Ended June 29, 2015
	(dollars in thousands)			
Selected Other Data:				
Restaurants opened during the period	-	-	3	2
Number of restaurants open (end of period):				
Joe's Crab Shack	127	138	127	138
Brick House Tavern + Tap	26	23	26	23
Total restaurants	153	161	153	161
Restaurant operating weeks				
Joe's Crab Shack	1,676	1,794	3,366	3,599
Brick House Tavern + Tap	338	299	659	578
Average weekly sales				
Joe's Crab Shack	\$ 65	\$ 68	\$ 61	\$ 63
Brick House Tavern + Tap	\$ 66	\$ 70	\$ 67	\$ 69
Change in comparable restaurant sales				
Joe's Crab Shack	(6.8%)	(4.0%)	(4.3%)	(3.9%)
Brick House Tavern + Tap	(6.3%)	2.8%	(5.4%)	4.0%
Total	(6.7%)	(3.3%)	(4.4%)	(3.0%)

Reconciliation of Non-GAAP Results to GAAP Results

The Company provided detailed explanation of this non-GAAP financial measure, including a discussion of the usefulness and purpose of the measure, in its Form 8-K filed with the Securities and Exchange Commission on August 3, 2016.

	Thirteen Weeks Ended June 27, 2016	Thirteen Weeks Ended June 29, 2015	Twenty-Six Weeks Ended June 27, 2016	Twenty-Six Weeks Ended June 29, 2015
	(In thousands, except per share data)			
Income (loss) from continuing operations - GAAP	\$ (10,443)	\$ 1,731	\$ (12,069)	\$ (1,465)
Adjustments - continuing operations:				
Costs related to conversions, remodels and closures	185	14	238	63
Gain on insurance settlements	(763)	-	(755)	-
Write-off of debt issuance costs and debt discount	121	-	121	-
Asset impairments	8,003	-	8,003	-
Income tax effect of adjustments above				
Current expense (benefit)	92	(1)	68	(8)
Deferred benefit	(3,036)	(5)	(3,036)	(17)
Deferred tax asset valuation allowance	4,767	607	5,306	2,733
Adjusted income (loss) from continuing operations - non-GAAP	\$ (1,074)	\$ 2,346	\$ (2,124)	\$ 1,306
Weighted average shares outstanding (GAAP)				
Basic	25,815	25,721	25,795	25,698
Diluted	25,815	25,730	25,795	25,711
Income (loss) from continuing operations per share (GAAP)				
Basic and diluted	\$ (0.40)	\$ 0.07	\$ (0.47)	\$ (0.06)
Adjusted income (loss) from continuing operations per share (non-GAAP)				
Basic and diluted	\$ (0.04)	\$ 0.09	\$ (0.08)	\$ 0.05