

RED ROBIN GOURMET BURGERS INC

Form 10-K

February 19, 2016

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

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FORM 10-K

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

For the fiscal year ended December 27, 2015

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 001-34851

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RED ROBIN GOURMET BURGERS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

6312 S Fiddler's Green Circle, Suite 200N

Greenwood Village, CO

(Address of principal executive offices)

(303) 846-6000

(Registrant's telephone number, including area code)

84-1573084

(I.R.S. Employer  
Identification No.)

80111

(Zip Code)

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Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, \$0.001 par value

Name of each exchange on which registered: NASDAQ (Global Select Market)

Securities Registered Pursuant to Section 12(g) of the Act:

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes  No

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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.

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Large accelerated filer       Accelerated filer       Non-accelerated filer   
(Do not check if a 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

The aggregate market value of the voting and non-voting common stock held by non-affiliates (based on the closing price on the last business day of the registrant's most recently completed second fiscal quarter on The NASDAQ Global Select Market) was \$1,294.4 million. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

There were 13,630,411 shares of common stock outstanding as of February 16, 2016.

**DOCUMENTS INCORPORATED BY REFERENCE**

Certain information required for Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K is incorporated by reference to the registrant's definitive proxy statement for the 2015 annual meeting of stockholders.

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PART I

ITEM 1. Business

Overview

Red Robin Gourmet Burgers, Inc., together with its subsidiaries, primarily develops, operates, and franchises casual-dining restaurants and fast-casual restaurants in North America and focuses on serving an imaginative selection of high quality gourmet burgers in a fun environment welcoming to guests of all ages. We opened the first Red Robin® restaurant in Seattle, Washington in September 1969 and opened the first Red Robin Burger Works® in Denver, Colorado in November 2011. In 1979, the first franchised Red Robin restaurant was opened in Yakima, Washington. In 2001, we formed Red Robin Gourmet Burgers, Inc., a Delaware corporation, and consummated a reorganization of the company. Since that time, Red Robin Gourmet Burgers, Inc. has owned, either directly or indirectly, all of the outstanding capital stock or membership interests, respectively, of Red Robin International, Inc. and our other operating subsidiaries through which we operate our Company-owned restaurants. Unless otherwise provided in this Annual Report on Form 10-K, references to “Red Robin,” “we,” “us,” “our” or the “Company” refer to Red Robin Gourmet Burgers, Inc. and our consolidated subsidiaries. For the 52-week fiscal year 2015, we generated total revenues of \$1.3 billion. As of the end of our fiscal year on December 27, 2015, there were 528 Red Robin restaurants, of which 429 were Company-owned and 99 were operated by franchisees, and 10 Red Robin Burger Works restaurants. Our franchisees are independent organizations to whom we provide certain support. See “Restaurant Franchise and Licensing Arrangements” for additional information about our franchise program. As of December 27, 2015, there were Red Robin restaurants and Red Robin Burger Works in 43 states, the District of Columbia, and two Canadian provinces.

Financial information for our single operating segment is included in Notes to the Consolidated Financial Statements in Part II, Item 8 of this report.

The Company’s fiscal year is 52 or 53 weeks ending the last Sunday of the calendar year. Fiscal year 2015, 2014, and 2013 each included 52 weeks, ending on December 27, 2015, December 28, 2014, and December 29, 2013. Fiscal year 2016 will include 52 weeks and will end on December 25, 2016. We refer to our fiscal years as 2016, 2015, 2014, 2013, 2012, and 2011 throughout this Annual Report on Form 10-K.

Business Strategy

We take pride in crafting craveable burgers, welcoming experiences, and genuine connections for everyone who comes into our Red Robin. We are committed to delivering superior experiences for our guests which we believe will lead to operating and financial results greater than our casual dining peers. We have identified and continue to search for opportunities that will drive strong financial performance through increasing guest traffic and revenue, improving operational efficiencies, and expense management, enhancing our restaurant environments, and expanding our restaurant base. We have built short-term and long-term strategies and initiatives around these opportunities to optimize returns through allocation of our capital. These strategies and initiatives include:

**Increasing guest engagement.** We have developed initiatives to increase profitable guest traffic and sales in our restaurants through greater frequency of visits and increasing our average guest check. Our strategy to increase engagement with guests is supported by our brand transformation initiative as well as a service model which encourages our team members to build a connection with our guests. Additionally, we plan to grow our average check while allowing our guests to manage their total cost with different price points. See “Marketing and Advertising” below for additional information about our marketing strategy and initiatives.

**Improving operational efficiencies and expense management.** We continue to focus on managing our expenses in the operation of our restaurants and in our selling, general, and administrative functions. Our restaurant operating costs include food and other commodities, labor cost and benefits, restaurant supplies, utilities, occupancy, and other operating costs. Macroeconomic and other external factors, such as increases in commodity, labor, and other prices have historically resulted in upward trends in these restaurant operating costs. We have implemented multiple programs to mitigate the impact of these external factors, including continued optimization of our distribution and supply chain relationships, labor productivity improvement efforts, and initiatives to streamline operational processes. In 2015, we continued to invest in technology and data infrastructure that supports guest engagement, team member talent management, and payroll as well as improving other systems and processes. We completed rollout of interactive

tabletop devices to all Company-owned restaurants in the United States, giving guests the ability to order appetizers and desserts, play interactive games, enroll in the Red Robin Royalty loyalty program, pay their check at the table when they are ready, and provide immediate feedback on the dining experience. We will continue these initiatives and

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examine additional opportunities to reduce overhead costs and improve efficiencies throughout our organization as part of our ongoing cost management efforts.

Expanding our footprint. We believe disciplined deployment of capital to optimize the return on our investments will allow us to both grow the brand and to maximize long-term shareholder returns. Capital deployment decisions include the evaluation of a number of opportunities including making determinations as to new development sites, restaurant sizes, markets and trade areas, relocations, and remodels. Other capital allocation decisions include the appropriate mix of Company-owned and franchise units, debt levels, capital structure, returning capital to shareholders, and other uses of capital generated by operations. In 2015, we opened 24 Company-owned restaurants, including three Red Robin Burger Works, our fast casual prototype, acquired one Red Robin franchise restaurant, and relocated three Red Robin restaurants. In addition, we remodeled 157 Red Robin restaurants to our new brand standards, which resulted in over 325 restaurants conforming to the new design standards, including newly opened restaurants. In 2016, we plan on opening 25 new Company-owned Red Robin restaurants, including one new Red Robin restaurant in Canada, and five Red Robin Burger Works restaurants. We also plan to remodel around 70 additional Red Robin restaurants, which will substantially complete the remodeling of Company-owned restaurants to our new brand standards.

### Restaurant Concept

The Red Robin brand has many desirable attributes, including a range of high-quality menu items, a strong guest-focused culture, and a value proposition designed to help our guests customize their experiences.

We pride ourselves on being THE Burger Authority. Our menu features our signature product, a line of Gourmet Burgers which we make from premium quality, fresh ground beef as well as our everyday-value line of Red's Tavern Double® burgers, and our Red Robin's Finest line of half-pound Angus beef burgers with premium toppings. We also offer burgers made from chicken breasts, fish fillets, turkey patties, as well as vegetarian, and vegan options. We offer a wide selection of buns-including ciabatta, gluten free, sesame, onion, whole grain, jalapeno, and lettuce wraps-with a variety of toppings-including fresh guacamole, housemade barbeque sauces, aiolis, grilled pineapple, crispy onion straws, sautéed mushrooms, fried jalapenos, bruschetta salsa, coleslaw, eight different cheese choices, and a fried egg. All of our burgers are served with our all-you-can-eat Bottomless Steak Fries® or a guest may choose from five bottomless sides. We specialize in customizing our menu items to meet our guests' dietary needs and preferences. In addition to burgers, which accounted for approximately 48.5% of our total food and beverage sales in 2015, Red Robin serves an array of other items that appeal to a broad range of guests. These items include a variety of appetizers (priced at \$3, \$5, \$7, and \$9); salads, soups, seafood, and other entrees; desserts; the Company's signature alcoholic and non-alcoholic specialty beverages; and a broadened variety of national and craft beers.

We believe in respecting our guests' need for the "gift of time". Red Robin menu items are designed to be delivered to our guests in an efficient manner to accommodate their timetable. Our primary goal is to customize the experience to what the guest wants - be it speed or a more relaxed dining occasion. We strive to meet the needs of our guests by offering a choice of experiences and occasions from time-pressured meals to a place to relax and unwind with friends. Red Robin also has an unparalleled and extraordinary approach to guest service and we have cataloged thousands of stories of Red Robin team members who live our values. Many examples can be found on our website, [www.redrobin.com](http://www.redrobin.com). We encourage our team members to execute on the aspects of service that we have identified to be our biggest drivers of our guest loyalty.

We also strive to provide our guests with exceptional dining value and the ability to customize their experience. In 2015, we had an average check per guest of \$12.99 including beverages. We believe this price-to-value relationship, our innovative array of burgers ranging in price from \$6.99 to \$15.29 differentiates us from our casual dining competitors and allow us to appeal to a broad base of consumers with a wide range of income levels.

### Operations

#### Restaurant Management

Our typical restaurant management team consists of a general manager, an assistant general manager, and two or three assistant managers depending on restaurant sales volumes. The management team of each restaurant is responsible for the day-to-day operation of that restaurant, including hiring, training, and developing of team members, as well as operating results. Our typical restaurant employs approximately 61 hourly team members, most of whom work part-time.

For our new restaurants, we try to identify seasoned leadership teams 6 to 12 months in advance of opening, with the expectation that seasoned leadership will provide a better team member and guest experience while enabling a new restaurant to quickly reach normalized operations.

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### Learning and Development

We strive to maintain quality and consistency in each of our restaurants through the training and supervision of team members and the establishment of, and adherence to, high standards relating to personnel performance, food and beverage preparation, and production as well as the maintenance of our restaurants. Each restaurant has a core group of certified learning coaches who provide on-the-job instruction for new team members which must complete a final certification for their position. These certified learning coaches participate in a “train-the-trainer” workshop that provides them with knowledge and tactics to enable them to coach our team members to meet our standards.

Shift Supervisors are required to complete the Shift Supervisor training program. This program is a stepping stone to salaried manager and includes skills such as food safety, food production, cash handling, and coaching. Each Shift Supervisor must complete all the required training certifications before being considered for promotion to manager. This Shift Supervisor training takes place in the Shift Supervisors home restaurant and is facilitated by the General Manager.

Restaurant managers are required to complete a Management Foundations training program in one of our certified training restaurants that includes guest service, kitchen, and management responsibilities. Newly trained managers are then assigned to their home restaurant where they obtain ongoing training with their general manager. We place a high priority on our continuing management development programs in order to ensure qualified managers are available and prepared for future restaurant openings and to fill open management positions. We utilize periodic scorecards for ongoing coaching and conduct annual performance reviews with each manager to discuss prior performance and future performance goals. Annually, we hold a leadership conference to deliver additional training to general managers in areas such as leadership, management systems, hospitality, and other relevant topics.

For new restaurants, team members complete a training process to ensure the smooth and efficient operation of the restaurant from the first day it opens to the public. We also continue to enhance our manager training curriculum to better prepare new managers for the challenging environment a new restaurant creates so they can confidently execute our processes, systems, and values.

Prior to opening a new restaurant, our training and opening team travels to the new restaurant location to prepare for an intensive training program for all team members hired for the new restaurant opening. Part of the training team remains on-site for a period after the opening of the restaurant while an additional team provides several weeks of support following opening.

### Quality Control and Purchasing

Our food safety and quality assurance programs help manage our commitment to quality ingredients and food preparation. Our systems are designed to protect our food supply from product receipt through preparation and service. We provide detailed specifications for our food ingredients, products, and supplies to our suppliers. We qualify and audit our key manufacturers and growers. Our restaurant managers are certified in a comprehensive safety and sanitation course by the National Restaurant Association’s ServSafe program. Minimum cooking requirements, specifically safe handling, cooling procedures, and frequent temperature and quality checks, exist for the safety and quality of all food we serve in our restaurants. In order to provide the freshest ingredients and products and to maximize operating efficiencies between purchase and usage, each restaurant’s management team determines the restaurant’s daily usage requirements for food ingredients, products, and supplies, and accordingly, orders from approved suppliers, and distributors. The restaurant management team inspects deliveries to ensure the products received meet our safety and quality specifications. Additionally, we utilize the services of an independent auditing company to perform unannounced comprehensive food safety and sanitation inspections in all Company-owned and franchised restaurants.

To maximize our purchasing efficiencies and obtain the best possible prices for our high-quality ingredients, products, and supplies, our centralized purchasing team negotiates supply agreements which may include fixed price contracts that vary in term lengths or formula based pricing agreements which can fluctuate on changes in raw material commodity pricing. Ground beef represented approximately 15% of our total cost of goods in 2015 and chicken represented approximately 11% of our total cost of goods. In 2016, we expect our overall commodity costs to increase approximately 1%. We monitor the primary commodities we purchase and extend contract positions when applicable in order to minimize the impact of fluctuations in price and availability. However, certain commodities, primarily



ground beef, remain subject to market price fluctuations. We continue to identify competitively priced, high quality alternative manufacturers, suppliers, growers, and distributors that are available should the need arise; however, we have not experienced significant disruptions in our supply chain. As of December 27, 2015, approximately 55% of our estimated annual food and beverage purchases were covered by fixed price contracts, most of which are scheduled to expire at various times through the end of 2016.

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### Restaurant Development

Red Robin seeks to grow its restaurant base prudently considering a number of factors including general economic conditions, expected financial performance, availability of appropriate locations, competition in local markets, and the availability of teams to manage new locations. We believe site selection is critical to our success and thus we devote substantial time and effort evaluating each prospective site. Our site selection criteria focuses on identifying markets, trade areas, and specific sites that are likely to yield the greatest density of desirable demographic characteristics, retail traffic, and visibility. During 2015, we opened 24 Company-owned restaurants, including three Red Robin Burger Works, our fast casual prototype, and one Red Robin restaurant that was temporarily closed during 2014. We also acquired one Red Robin franchise restaurant, and relocated three Red Robin restaurants. Over the past three years, we have opened a total of 68 new restaurants, acquired 37 franchised restaurants, and relocated six units. In 2011, we introduced Red Robin Burger Works, a smaller non-traditional prototype with a limited menu and limited service that is designed to serve the needs of our guests in markets where full-sized sites are not available, such as central business districts, urban areas, and other non-traditional areas with heavy foot traffic. Most Red Robin Burger Works restaurants range between 1,800 and 2,200 square feet and are designed to compete with other fast-casual chains for time pressed guests seeking higher quality food than from quick-service chains. We have ten Red Robin Burger Works restaurants open in three markets and have two additional Burger Works locations under construction and scheduled to open in the first fiscal quarter of 2016.

During 2016, we expect to open 25 new Company-owned Red Robin restaurants, including one new Red Robin restaurant in Canada, which together with our 2015 new restaurant openings will increase the Company's total operating weeks by 6% to 7%. In addition, we plan to open five Red Robin Burger Works. The costs of a full-sized 5,800 square foot Red Robin restaurant and a mid-sized 4,500 square foot Red Robin restaurant range from \$2.0 to \$2.4 million and \$1.8 to \$2.3 million, depending on location (stand alone, mall, or in-line retail) and geographic area, excluding land. The cost to construct a Red Robin Burger Works ranges from \$0.5 to \$0.8 million. In 2016, we plan to open primarily mid-sized Red Robin restaurants based on the financial returns of these units and the availability of locations in markets where we would like to expand.

### Restaurant Franchise and Licensing Arrangements

As of December 27, 2015, our franchisees operated 99 restaurants in 15 states. In 2015, our franchisees opened one new restaurant and sold one restaurant to us. Our two largest franchisees own 43 restaurants located in Michigan, Ohio, and eastern and central Pennsylvania. We have not actively sought new franchisees in recent years.

### Franchise Compliance Assurance

We actively work with and monitor our franchisees' performance to help them develop and operate their restaurants in compliance with Red Robin's standards, systems and procedures. During the restaurant development phase, we review the franchisee's site selection and provide the franchisee with our prototype building plans. We provide trainers to assist the franchisee in opening the restaurant for business. We advise the franchisee on all menu items, management training, and equipment and food purchases.

To continuously improve our marketing programs and operating systems, we maintain an advertising advisory council comprised of corporate and franchisee members. Through this council, we solicit the input of our franchisees on marketing programs, including their suggestions as to which new menu items we should test and feature in future promotions. We also exchange best operating practices with our franchisees as we strive to improve our operating systems while attaining a high level of franchisee participation.

### Information Technology

We rely on information systems in all aspects of our operations, including (but not limited to) point-of-sale transaction processing in our restaurants; operation of our restaurants; management of our inventories; collection of cash; payment of payroll and other obligations; and various other processes and procedures.

Our corporate offices and Company-owned restaurants are enabled with information technology and decision support systems. In our restaurants, these systems are designed to provide operational tools for sales, inventory, and labor management. This technology includes industry-specific, off-the-shelf systems, as well as proprietary software such as tools designed to optimize food and beverage costs and labor costs. These systems are integrated with our point-of-sale systems to provide daily, weekly, and period-to-date information that is important for managers to run an

efficient and effective operation, and to provide

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financial reporting information. We also use other systems to interact with our guests. These include an online guest feedback system, which provides real-time results on guest service, food quality, and atmosphere to each of our restaurants.

We utilize centralized financial, accounting, and human resources/personnel systems for Company-owned restaurants. In addition, we use an operations scorecard which integrates data from our centralized systems with the distributed information managed in our restaurants. We believe these combined tools are important in analyzing and improving our operations, profit margins, and other results.

In order to increase efficiency, operational capabilities, and to support growth, we have committed to a significant capital investment to upgrade and expand some of these systems. In 2015, we continued to invest in technology and data infrastructure that supports guest engagement, team member talent management, and payroll functionality as well as improving other systems and processes. During the third quarter 2015, we completed the rollout of interactive tabletop devices to all Company-owned restaurants in the United States giving guests the ability to order appetizers and desserts, play interactive games, enroll in the Red Robin Royalty loyalty program, and pay their check at the table when they are ready. In the fourth quarter 2015, we completed the development and testing of a new human resource management and payroll system, which was fully deployed during the first quarter 2016. In 2016, we plan to invest in technology and data infrastructure that supports guest engagement, operational efficiency, and team member talent management.

We accept electronic payment cards from our guests for payment in our restaurants. We also receive and maintain certain personal information about our guests and team members. We have systems and processes in place that focus on the protection of our guests' credit card information and other private information that we are required to protect, such as our team members' personal information. We have taken a number of steps to prevent the occurrence of security breaches in this respect. Our systems have been carefully designed and configured to protect against data loss or compromise. For example, because of the number of credit card transactions processed in our Company-owned stores, we are required to maintain the highest level of Payment Card Industry ("PCI") Data Security Standard compliance at our corporate offices and Company-owned restaurants. These standards, set by a consortium of the major credit card companies, require certain levels of system security and procedures to protect our customers' credit card and other personal information. Our credit card security practices and systems are certified as compliant with the PCI Data Security Standard annually by an independent, qualified security assessor.

We also engage other security assessors and consultants to review and advise us on our other data security practices with respect to protection of other sensitive personal information that we obtain from guests and team members.

### Marketing and Advertising

We build brand equity and awareness primarily through national marketing, including national television, digital media, social media programs, email, loyalty, and public relations initiatives. These programs are funded primarily through cooperative creative development and national media advertising funds.

In recent years, we have undertaken significant market research initiatives to gain feedback and perceptions in order to inform our business decisions. Among other things, we use a guest satisfaction tool in all restaurants that provides feedback from guests on their experiences. Restaurant managers use this information to help identify areas of focus to strengthen restaurant performance and track progress. We also continually monitor our performance relative to peers and test potential business drivers among both current and potential guests. We closely track the frequency and purchase behavior of guests who are members of our Red Robin Royalty™ loyalty program.

In 2012, we began testing our brand transformation program to enhance our service, menu, food presentation, and other guest experiences. Our brand transformation goal is to reinforce our position as a go-to place for families while attracting more visits from adult guests dining together. As of the end of 2015, we have updated over 325 locations to the new brand standard design and all restaurants constructed in 2014 and 2015 complied with these new design standards.

A key focus for us continues to be delivering innovative menu items consistent with our gourmet burger positioning and doing so at an everyday value to our guests. Our 2015 marketing strategy focused on driving traffic with value and select product advertising with in-restaurant merchandising of premium burgers, entrees, appetizers, beverage, and desserts.

Team Members

As of December 27, 2015, we had 28,933 employees, whom we refer to as team members, consisting of 28,582 team members at Company-owned restaurants and 351 team members at our corporate headquarters and field offices. None of our team members are covered by a collective bargaining agreement. We consider our team member relations to be good.

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We support our team members by offering competitive wages and benefits for eligible team members, including medical, and other insurance, an employee stock purchase plan and equity-based awards for eligible corporate and operations employees at the director level and above. We motivate and prepare our team members by providing them with opportunities for increased responsibilities and advancement. At certain levels, we also offer performance-based incentives tied to sales, profitability, and/or certain qualitative measures.

## Executive Officers

The following table sets forth information about our executive officers and other key employees:

Name	Age	Position
Stephen E. Carley	63	Chief Executive Officer <sup>(1)</sup>
Denny Marie Post	58	President
Stuart B. Brown	50	Executive Vice President and Chief Financial Officer
Cathy Cooney	64	Senior Vice President and Chief People Officer
Michael Furlow	58	Senior Vice President and Chief Information Officer
Les L. Lehner	44	Senior Vice President of Real Estate and Development
Michael L. Kaplan	47	Senior Vice President, Secretary and Chief Legal Officer
Jeff Melnick	49	Senior Vice President of Operations
Jonathan Muhtar	44	Senior Vice President and Chief Marketing Officer

<sup>(1)</sup> Also a member of the Company's board of directors.

**Stephen E. Carley.** Mr. Carley was appointed Chief Executive Officer in September 2010. He previously served from April 2001 until September 2010 as the Chief Executive Officer of El Pollo Loco, a privately held restaurant company headquartered in Costa Mesa, California. Prior to his service at El Pollo Loco, Mr. Carley served in various management positions with several companies, including PhotoPoint Corp., Universal City Hollywood, PepsiCo Inc., and the Taco Bell Group.

**Denny Marie Post.** Ms. Post joined the Company as Senior Vice President and Chief Marketing Officer in August 2011, was promoted to Executive Vice President and Chief Concept Officer in March 2015, and promoted to President in February 2016. Before joining Red Robin, Ms. Post was the Managing Member of mm&i Consulting LLC, a marketing consulting firm, from June 2010 to July 2011. She served as Senior Vice President, Chief Marketing Officer of T-Mobile USA from July 2008 to May 2010, as Senior Vice President, Global Beverage, Food, and Quality at Starbucks Corporation from February 2007 to June 2008, as Senior Vice President, Chief Concept Officer of Burger King Corp. from April 2004 to January 2007, and prior to that, in various marketing executive roles at YUM! Brands, Inc.

**Stuart B. Brown.** Mr. Brown joined Red Robin as Senior Vice President and Chief Financial Officer in September 2011 and was promoted to Executive Vice President and Chief Financial Officer in February 2016. From October 2006 until joining the Company, Mr. Brown served as Chief Financial Officer of DCT Industrial Trust Inc., a publicly traded real estate investment trust. Prior to his role at DCT Industrial Trust Inc., Mr. Brown was Vice President and Chief Accounting Officer of Federal Realty Investment Trust, from 2003 to 2006. Mr. Brown also served as Vice President, Finance at Giant Food, Inc., a domestic retail grocery chain that is part of the Netherlands-based Royal Ahold supermarket company, and in other corporate and operational finance positions at Royal Ahold over approximately ten years.

**Cathy Cooney.** Ms. Cooney joined the Company as Senior Vice President and Chief People Officer in July 2013. Ms. Cooney previously served as Executive Vice President, Human Resources of CareFusion Corporation from September 2009 to June 2011 and prior its spinoff she served as Senior Vice President, Human Resources-Clinical and Medical Products of Cardinal Health from July 2008 to September 2009. She was Senior Vice President, Human Resources-Clinical Technologies, and Services from September 2004 to July 2008 and Senior Vice President, Human Resources-Leadership Development of Cardinal Health from January 2003 to September 2004.

**Michael Furlow.** Mr. Furlow joined Red Robin as Senior Vice President and Chief Information Officer in October 2015. Prior to joining the Company, Mr. Furlow served as Senior Vice President of Information Technology and Chief Information Officer of CEC Entertainment, Inc. from May 2011 to January 2015, as Senior Vice President of Information System of Brinker International, Inc. from September 2005 to January 2011, as Chief Information Officer

of Dunkin's Brand Group, Inc. from April 2002 to August 2005, and as Chief Information Officer of Einstein Noah Restaurant Group, Inc. from 1998 to 2002.

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Les L. Lehner. Mr. Lehner joined Red Robin as Senior Vice President of Real Estate and Development in May 2015. Prior to joining the Company, Mr. Lehner served as Senior Vice President of Real Estate/Development at CEC Entertainment. Mr. Lehner was at CEC Entertainment from 2001 to 2015. During his tenure he also served as Vice President of Real Estate, Sr. Director of Real Estate and Purchasing, and Director of Finance.

Michael L. Kaplan. Mr. Kaplan joined Red Robin as Senior Vice President, Chief Legal Officer and Secretary in October 2013. Prior to joining the Company, he served as Senior Vice President, General Counsel, Chief Security Officer and Corporate Secretary of DAE Aviation Holdings, Inc. (d/b/a Standard Aero), a privately held global aviation maintenance company, from January 2010 to September 2013, and as a Shareholder at Greenberg Traurig, LLP, an international law firm, from January 2002 to January 2010.

Jeff Melnick. Mr. Melnick joined Red Robin as a Regional Vice President of Operations in March 2006 and was promoted to Senior Vice President Operations in August 2014. Prior to joining Red Robin, Mr. Melnick served as Regional Director of Operations for Brinker International from 2002 to 2006 and as Area Director of Operations at Chili's Grill and Bar from 1995 to 2002.

Jonathan Muhtar. Mr. Muhtar joined Red Robin as Senior Vice President and Chief Marketing Officer in December 2015. Prior to joining the Company, Mr. Muhtar served as Executive Vice President and Chief Marketing Officer of Captain D's Seafood Restaurant from November 2011 to December 2015, and as Vice President of Global Marketing and Innovation and in other corporate and marketing positions at Burger King Corporation from July 2004 to June 2011.

Competition

The restaurant industry is highly competitive and our guests may choose to purchase food at supermarkets or other food retailers. For some occasions, we compete against other segments of the restaurant industry, including quick-service and fast-casual restaurants, but our primary competition is with other sit-down, casual dining restaurants. The number, size, and strength of competitors vary by region, concept, market, and even restaurant. We compete on the basis of taste, quality, price of food offered, guest service, ambiance, location, and overall dining experience. In particular, we face competition from concepts focused on the sale of hamburgers, including quick service, and fast casual concepts. Many of these concepts are expanding faster than we are and are penetrating both geographic and demographic markets that we target as well. Moreover, many of these concepts compete with smaller-sized building units, which allow them greater flexibility in site selection and market penetration.

We believe that our guest demographics, strong brand recognition, gourmet burger concept, attractive price-value relationship, and the quality of our food and service enable us to differentiate ourselves from our competitors. We believe we compete favorably with respect to each of these factors. Our competitors include well-established national chains which have more substantial marketing resources. We also compete with many other restaurant and retail establishments for site locations and team members.

Seasonality

Our business is subject to seasonal fluctuations. Historically, sales in most of our restaurants have been higher during the summer months and winter holiday season due to factors including our retail-oriented locations and family appeal. As a result, our quarterly and annual operating results and comparable restaurant sales may fluctuate significantly as a result of seasonality. Accordingly, results for any one quarter or year are not necessarily indicative of results to be expected for any other quarter or for any year, and comparable restaurant sales for any particular future period may decrease.

Trademarks

We have a number of registered trademarks and service marks, including the Red Robin, Red Robin Gourmet Burgers®, Red Robin America's Gourmet Burgers & Spirits®, Red Robin Burger Works®, "YUMMM®", Red Robin Gourmet Burgers and Brews™, and Red Robin Royalty™ names and logos. We have registered or filed applications for trademarks for these marks, among others, with the United States Patent and Trademark Office, and we have applied to register various trademarks in certain other international jurisdictions.

In order to better protect our brand, we have also registered the Internet domain name [www.redrobin.com](http://www.redrobin.com). We believe that our trademarks, service marks, and other intellectual property rights have significant value and are important to our brand building efforts and the marketing of our restaurant concept.





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### Government Regulation

Our restaurants are subject to licensing and regulation by state, province, and local health, safety, fire, and other authorities, including licensing requirements, and regulations for the sale of alcoholic beverages and food. To date, we have been able to obtain and maintain all necessary licenses, permits, and approvals. The development and construction of new restaurants is subject also to compliance with applicable zoning, land use, and environmental regulations. We are also subject to federal regulation and state laws that regulate the offer and sale of franchises and substantive aspects of the franchisor-franchisee relationship. Various federal and state labor laws govern our relationship with our team members and affect operating costs. These laws govern minimum wage requirements, overtime pay, meal and rest breaks, unemployment tax rates, health care and benefits, workers' compensation rates, citizenship or residency requirements, child labor regulations, and discriminatory conduct. Federal, state and local government agencies have established or are in the process of establishing regulations requiring that we disclose to our guests nutritional information regarding the items we serve.

### Available Information

We maintain a link to investor relations information on our website, [www.redrobin.com](http://www.redrobin.com), where we make available, free of charge, our Securities and Exchange Commission ("SEC") filings, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. All SEC filings are also available at the SEC's website at [www.sec.gov](http://www.sec.gov). Our website and the information contained on or connected to our website are not incorporated by reference herein, and our web address is included as an inactive textual reference only.

### Forward-Looking Statements

Certain information and statements contained in this report are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "PSLRA") codified at Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act. This statement is included for purposes of complying with the safe harbor provisions of the PSLRA. Forward-looking statements include statements regarding our expectations, beliefs, intentions, plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements which are other than statements of historical facts. These statements may be identified, without limitation, by the use of forward-looking terminology such as "anticipate," "assume," "believe," "could," "estimate," "expect," "future," "intend," "may," "plan," "project," "will," "would," and similar expressions. Certain forward-looking statements are included in this Annual Report on Form 10-K, principally in the sections captioned "Business," "Legal Proceedings," "Consolidated Financial Statements," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements relate to, among other things:

- our business objectives and strategic plans, including growth in guest traffic and revenue, improvements in operational efficiencies and expense management, enhancing our restaurant environments, and expanding our restaurant base;
- the continuation of our share repurchase program, and other capital deployment opportunities;
- our ability to grow our average check and increase sales of incremental items;
- our focus on attracting new guests while retaining loyal guests and our initiatives targeted at adult guests as our restaurant concept evolves;
- our ability to grow sales through menu and service enhancement;
- any future price increases and their effect on our revenue and profit;
- the timing and cost of our investment and implementation of a major overhaul of our information technology systems and data infrastructure to support guest engagement, team member talent management, and anticipated related benefits;
- anticipated Company-owned restaurant openings, including the anticipated number and type of new restaurants, and the timing of such openings;
- anticipated restaurant operating costs, including commodity and food prices; labor and energy costs; and selling, general, and administrative expenses, the effect of inflation on such costs, and our ability to reduce overhead costs and improve efficiencies;

- anticipated legislation including minimum wage standards;
- our brand transformation initiatives, including the anticipated number and timing of restaurant remodels, and expected financial performance of remodeled restaurants;
- anticipated Red Robin Burger Works development efforts;
- the amount of capital expenditures in 2016;

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