WATSON WYATT & CO HOLDINGS
Form 4
October 04, 2005

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
HALEY JOHN J
(Last) (First) (Middle)
901 N GLEBE ROAD
(Street)
ARLINGTON, VA 22203
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
WATSON WYATT & CO HOLDINGS [WW]

3. Date of Earliest Transaction (Month/Day/Year)
09/30/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President and C.E.O.

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Class A Common Stock	09/30/2005		J (1)		96	A	$ 25.6	230,620	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HALEY JOHN J 901 N GLEBE ROAD ARLINGTON, VA 22203	X		President and C.E.O.	

Signatures

Cindy Boyle, attorney-in-fact	10/04/2005
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Shares acquired pursuant to a tax-conditioned plan in a transaction exempt from Section 16

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Accrued interest
6

13

Total accrued liabilities
$
9,372

$
11,156

7. INCOME TAXES

The effective income tax rate for the twenty-six weeks ended June 30, 2013 was 27.2% compared to an effective income tax rate of 29.9% for the twenty-six weeks ended June 24, 2012. The decrease in the effective income tax rate from the prior year was primarily attributable to the favorable impact of a one time adjustment made for incremental employment tax credits for the current year as well as the previous open tax years, which resulted in a $556,000 net favorable impact in net income during the twenty-six week period ended June 30, 2013. The decrease in the effective income tax rate was partially offset by the unfavorable impact of the non-tax deductible secondary offering costs incurred during the current twenty-six week period ended June 30, 2013. The impact on the effective income tax rate for these items will be treated discretely in this twenty-six week period as required by the Financial Accounting Standards Board's Accounting Standards Codification. The effective income tax rate for 2013 excluding these discrete items is estimated to be approximately 30%.

Since the company has net operating loss carry forwards, the net favorable tax benefit mentioned above will primarily increase the general business credits deferred tax asset.

8. SUBSEQUENT EVENTS

Subsequent to June 30, 2013, the Company opened one new restaurant, in South Carolina, for a total of 45 restaurants, in twelve states.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes. Unless otherwise specified, or the context otherwise requires, the references in this report to “our Company”, “the Company”, “us”, “we” and “our” refer to Chuy’s Holdings, Inc. together with its subsidiarie

The following discussion contains, in addition to historical information, forward-looking statements that include risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 30, 2012 (our "Annual Report").

Although we believe that the expectations reflected in the forward-looking statements are reasonable based on our current knowledge of our business and operations, we cannot guarantee future results, levels of activity, performance or achievements. We assume no obligation to provide revisions to any forward-looking statements should circumstances change, except as may be required by law.

The following discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of our company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with our Annual Report and the unaudited condensed consolidated financial statements and the accompanying notes thereto included herein.

Overview

We are a fast-growing, full-service restaurant concept offering a distinct menu of authentic, freshly-prepared Mexican and Tex Mex inspired food. We were founded in Austin, Texas in 1982 by Mike Young and John Zapp, and as of June 30, 2013, we operated 44 Chuy’s restaurants across Texas, Tennessee, Kentucky, Alabama, Indiana, Georgia, Oklahoma, Florida, Virginia, Arkansas and North Carolina.

We are committed to providing value to our customers through offering generous portions of made-from-scratch, flavorful Mexican and Tex Mex inspired dishes. We also offer a full-service bar in all of our restaurants providing our customers a wide variety of beverage offerings. We believe the Chuy’s culture is one of our most valuable assets, and we are committed to preserving and continually investing in our culture and our customers’ restaurant experience.

Our restaurants have a common décor, but we believe each location is unique in format, offering an “unchained” look and feel, as expressed by our motto “If you’ve seen one Chuy’s, you’ve seen one Chuy’s!” We believe our restaurants have an upbeat, funky, eclectic, somewhat irreverent atmosphere while still maintaining a family-friendly environment.

Recent Developments

April 2013 Secondary Offering

On April 17, 2013, a secondary public offering of the Company's common stock was completed by certain of the Company's existing stockholders. The selling stockholders sold 3,000,000 previously outstanding shares. In addition, the underwriters exercised their option to purchase an additional 257,113 shares of common stock from the selling stockholders.

Our Growth Strategies and Outlook

Our growth is based primarily on the following strategies:

- Pursue new restaurant development;
- Deliver consistent same store sales through providing high-quality food and service; and
- Leverage our infrastructure.

As of June 30, 2013, we opened five restaurants year-to-date. We also opened one additional restaurant subsequent to June 30, 2013, our first restaurant in South Carolina. We have an established presence in Texas, the Southeast and the Midwest, with restaurants in multiple large markets in these regions. Our growth plan over the next five years focuses on developing additional locations in our existing core markets, new core markets and in smaller markets surrounding each of those core markets.

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Performance Indicators

We use the following performance indicators in evaluating our performance:

- Number of Restaurant Openings. Number of restaurant openings reflects the number of restaurants opened during a particular fiscal period. For restaurant openings we incur pre-opening costs, which are defined below, before the restaurant opens. Typically new restaurants open with an initial start-up period of higher than normalized sales volumes, which decrease to a steady level approximately six to twelve months after opening. However, operating costs during this initial six to twelve month period are also higher than normal, resulting in restaurant operating margins that are generally lower during the start-up period of operation and increase to a steady level approximately nine to twelve months after opening.
- Comparable Restaurant Sales. We consider a restaurant to be comparable in the first full quarter following the 18th month of operations. Changes in comparable restaurant sales reflect changes in sales for the comparable group of restaurants over a specified period of time. Changes in comparable sales reflect changes in customer count trends as well as changes in average check. Our comparable restaurant base consisted of 29 and 21 restaurants at June 30, 2013 and June 24, 2012, respectively.
- Average Check. Average check is calculated by dividing revenue by total entrées sold for a given time period. Average check reflects menu price influences as well as changes in menu mix. Our management team uses this indicator to analyze trends in customers' preferences, effectiveness of menu changes and price increases and per customer expenditures.
- Average Weekly Customers. Average weekly customers is measured by the number of entrées sold per week. Our management team uses this metric to measure changes in customer traffic.
- Average Unit Volume. Average unit volume consists of the average sales of our comparable restaurants over a certain period of time. This measure is calculated by dividing total comparable restaurant sales within a period of time by the total number of comparable restaurants within the relevant period. This indicator assists management in measuring changes in customer traffic, pricing and development of our brand.
- Operating Margin. Operating margin represents income from operations as a percentage of our revenue. By monitoring and controlling our operating margins, we can gauge the overall profitability of our company.

The following table presents operating data for the periods indicated:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
Total restaurants (at end of period)	44	35	44	35
Total comparable restaurants (at end of period)	29	21	29	21
Average sales per comparable restaurant (in thousands)	$1,290	$1,319	$2,500	$2,562
Change in comparable restaurant sales (1)	2.1 %	1.9 %	2.2 %	2.2 %
Average check (2)	$13.63	$13.39	$13.49	$13.20

(1) We consider a restaurant to be comparable in the first full quarter following the eighteenth month of operations. Change in comparable restaurant sales reflect changes in sales for the comparable group of restaurants over a specified period of time. Due to the inclusion of a 53rd week in fiscal 2012, there is a one-week calendar shift in the comparison of the first and second fiscal quarters of 2013 ended June 30, 2013, to the first and second fiscal quarters of 2012 ended June 24, 2012. As a result, our comparable restaurant sales calculation above is based on comparing sales in the fiscal thirteen-week and twenty-six week periods in 2013 to sales in the corresponding calendar periods of 2012. Sales for the same 29 restaurants in the comparable restaurant base in the thirteen-week and twenty-six week periods ended June 30, 2013 increased 2.4% and 1.7%, respectively as compared to the thirteen-week and twenty-six week fiscal periods ended June 24, 2012.

(2) Average check is calculated by dividing revenue by number of entrées sold for a given period of time.

Our Fiscal Year

We operate on a 52- or 53-week fiscal year that ends on the last Sunday of the calendar year. Each quarterly period has 13 weeks, except for a 53-week year when the fourth quarter has 14 weeks. Our 2012 fiscal year consisted of 53 weeks and our 2013 fiscal year will consist of 52 weeks.

Key Financial Definitions

Revenue. Revenue primarily consists of food and beverage sales and also includes sales of our t-shirts, sweatshirts and hats. Revenue is presented net of discounts, such as management and employee meals, associated with each sale. Revenue in a given period is directly influenced by the number of operating weeks in such period, the number of restaurants we operate and comparable restaurant sales growth.

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Cost of Sales. Cost of sales consists primarily of food, beverage and merchandise related costs. The components of cost of sales are variable in nature, change with sales volume and are subject to increases or decreases based on fluctuations in commodity costs.

Labor Costs. Labor costs include restaurant management salaries, front- and back-of-house hourly wages and restaurant-level manager bonus expense, employee benefits and payroll taxes.

Operating Costs. Operating costs consist primarily of restaurant-related operating expenses, such as supplies, utilities, repairs and maintenance, travel cost, insurance, credit card fees, recruiting, delivery service and security. These costs generally increase with sales volume but decline as a percentage of revenue.

Occupancy Costs. Occupancy costs include rent charges, both fixed and variable, as well as common area maintenance costs, property insurance and taxes, the amortization of tenant allowances and the adjustment to straight-line rent. These costs are generally fixed but a portion may vary with an increase in sales when the lease contains percentage rent.

General and Administrative Expenses. General and administrative expenses include costs associated with corporate and administrative functions that support our operations, including senior and supervisory management and staff compensation (including stock-based compensation) and benefits, travel, financial advisory fees paid to Goode Partners LLC (during 2012), legal and professional fees, information systems, corporate office rent and other related corporate costs. As a public company, we expect our stock-based compensation expense to increase. In addition, we estimate that we will incur approximately $1.3 million to $1.6 million of incremental general and administrative expenses annually as a result of being a public company.

Marketing. Marketing costs include costs associated with our local restaurant marketing programs, community service and sponsorship activities, our menus and other promotional activities.

Restaurant Pre-opening Costs. Restaurant pre-opening costs consist of costs incurred before opening a restaurant, including manager salaries, relocation costs, supplies, recruiting expenses, initial new market public relations costs, pre-opening activities, employee payroll and related training costs for new employees. Restaurant pre-opening costs also include rent recorded during the period between date of possession and the restaurant opening date.

Depreciation and Amortization. Depreciation and amortization principally include depreciation on fixed assets, including equipment and leasehold improvements, and amortization of certain intangible assets for restaurants.

Interest Expense. Interest expense consists primarily of interest on our outstanding indebtedness and the amortization of our debt issuance costs reduced by capitalized interest.

Results of Operations

Potential Fluctuations in Quarterly Results and Seasonality

Our quarterly operating results may fluctuate significantly as a result of a variety of factors, including the timing of new restaurant openings and related expenses, profitability of new restaurants, weather, increases or decreases in comparable restaurant sales, general economic conditions, consumer confidence in the economy, changes in consumer preferences, competitive factors, changes in food costs, changes in labor costs and rising gas prices. In the past, we have experienced significant variability in restaurant pre-opening costs from quarter to quarter primarily due to the timing of restaurant openings. We typically incur restaurant pre-opening costs in the five months preceding a new restaurant opening. In addition, our experience to date has been that labor and direct operating costs associated with a newly opened restaurant during the first three to six months of operation are often materially greater than what will be expected after that time, both in aggregate dollars and as a percentage of restaurant sales. Accordingly, the number and timing of new restaurant openings in any quarter has had, and is expected to continue to have, a significant impact on quarterly restaurant pre-opening costs, labor and direct operating costs.

Our business also is subject to fluctuations due to seasonality and adverse weather. The spring and summer months have traditionally had higher sales volume than other periods of the year. Holidays, severe winter weather, hurricanes, thunderstorms and similar conditions may impact restaurant unit volumes in some of the markets where we operate and may have a greater impact should they occur during our higher volume months. As a result of these and other factors, our financial results for any given quarter may not be indicative of the results that may be achieved for a full fiscal year.

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Explanation of Responses:

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Thirteen Weeks Ended June 30, 2013 Compared to Thirteen Weeks Ended June 24, 2012
The following table presents, for the periods indicated, the consolidated statement of operations (in thousands):

	Thirteen Weeks Ended					
	June 30, 2013	% of Revenue	June 24, 2012	% of Revenue	Change	% Change
Revenue	$53,427	100.0 %	$43,545	100.0 %	$9,882	22.7 %
Costs and expenses:						
Cost of sales	14,644	27.4 %	11,622	26.7 %	3,022	26.0 %
Labor	16,740	31.3 %	13,740	31.6 %	3,000	21.8 %
Operating	7,537	14.1 %	6,069	13.9 %	1,468	24.2 %
Occupancy	3,108	5.8 %	2,530	5.8 %	578	22.8 %
General and administrative	2,507	4.7 %	2,137	4.9 %	370	17.3 %
Secondary offering costs	508	1.0 %	—	— %	508	100.0 %
Marketing	402	0.8 %	326	0.8 %	76	23.3 %
Restaurant pre-opening	1,050	2.0 %	1,224	2.8 %	(174)	(14.2)%
Depreciation and amortization	2,126	3.9 %	1,543	3.5 %	583	37.8 %
Total costs and expenses	48,622	91.0 %	39,191	90.0 %	9,431	24.1 %
Income from operations	4,805	9.0 %	4,354	10.0 %	451	10.4 %
Interest expense	24	0.1 %	1,884	4.3 %	(1,860)	(98.7)%
Income before income taxes	4,781	8.9 %	2,470	5.7 %	2,311	93.6 %
Income tax expense	1,621	3.0 %	739	1.7 %	882	119.4 %
Net income	$3,160	5.9 %	$1,731	4.0 %	$1,429	82.6 %

Revenue. Revenue increased $9.9 million, or 22.7%, to $53.4 million for the thirteen weeks ended June 30, 2013, as compared to $43.5 million for the thirteen weeks ended June 24, 2012. This increase was primarily driven by $10.1 million in incremental revenue from an additional 112 operating weeks provided by 12 new restaurants opened during and subsequent to the thirteen weeks ended June 24, 2012 and increased revenue at our comparable restaurants. These increases were partially offset by a decrease in revenue related to non-comparable restaurants that are not included in the incremental revenue discussed above. Our non-comparable restaurant revenue decreased from higher than normal revenue during the thirteen weeks ended June 24, 2012 as a result of the 'honeymoon' period that follows a restaurant's initial opening.

Due to the inclusion of a 53rd week in fiscal 2012, there is a one-week calendar shift in the comparison of the second fiscal quarter of 2013 ended June 30, 2013, to the second fiscal quarter of 2012 ended June 24, 2012. As a result, we calculate comparable restaurant sales by comparing sales in the second fiscal quarter of 2013 to sales in the corresponding thirteen week calendar period ended July 1, 2012. Comparable restaurant sales increased 2.1% for the thirteen week period ended June 30, 2013 compared to the thirteen week period ended July 1, 2012. The increase in comparable restaurant sales was driven primarily by a 1.9% increase in average check and a 0.2% increase in average weekly customers. Sales for the same restaurants in the second fiscal quarter ended June 30, 2013 increased 2.4% compared to the second fiscal quarter of 2012 ended June 24, 2012. Our revenue mix attributed to bar sales decreased to 19.6% during the thirteen weeks ended June 30, 2013 from 20.2%, primarily as the result of lower bar sales as a percent of total revenue at certain new locations.

Cost of Sales. Cost of sales as a percentage of revenue increased to 27.4% during the thirteen weeks ended June 30, 2013, from 26.7% during the same period in 2012, primarily as a result of higher chicken and produce costs and, to a lesser degree, higher dairy costs.

Labor Costs. Labor costs as a percentage of revenue decreased to 31.3% during the thirteen weeks ended June 30, 2013, from 31.6% during the same period in 2012, primarily as a result of improved labor efficiencies in our comparable restaurants and lower training costs as a percentage of total sales.

Operating Costs. Operating costs as a percentage of revenue increased to 14.1% during the thirteen weeks ended June 30, 2013 from 13.9% during the same period in 2012. The increase in the current period was primarily caused by an increase in utility, repair and maintenance and insurance costs, partially offset by lower liquor taxes as a result of opening more locations outside of Texas, which charges a higher liquor tax than other jurisdictions.

Occupancy Costs. Occupancy costs as a percentage of revenue remained constant at 5.8% during the thirteen weeks ended June 30, 2013 compared to the same period in 2012.

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General and Administrative Expenses. General and administrative expenses increased $0.4 million, or 17.3%, to $2.5 million for the thirteen weeks ended June 30, 2013, as compared to $2.1 million during the same period in 2012. This increase was primarily driven by an increase in salary expense associated with additional employees as we continue to strengthen our infrastructure for future growth and additional payroll taxes due to the exercise of employee stock options. Additionally, this increase was the result of incremental costs associated with being a public company.
Secondary Offering Costs. We incurred $508,000 of offering expenses related to two secondary offerings of the Company's common stock that were completed in January 2013 and April 2013. All of the common stock sold in the offerings was sold by certain existing stockholders, and as a result, the Company did not receive any proceeds from these offerings.
Marketing Costs. As a percentage of revenue, marketing costs remained flat at approximately 0.8%.
Restaurant Pre-opening Costs. Restaurant pre-opening costs decreased by $0.1 million, or 14.2%, to $1.1 million for the thirteen weeks ended June 30, 2013, as compared to $1.2 million for the thirteen weeks ended June 24, 2012. There were eight restaurants in development or opened during each of the thirteen weeks ended June 30, 2013 and June 24, 2012. The decrease in pre-opening costs during the thirteen weeks ended June 30, 2013 compared to the same period in 2012 is primarily due to the timing of the opening dates and stage of development for the restaurants in development during the periods.
Depreciation and Amortization. Depreciation and amortization as a percentage of revenue increased to 3.9% for the thirteen weeks ended June 30, 2013, as compared to 3.5% during the same period in 2012. This increase is primarily related to the increase in equipment and leasehold improvement costs related to new restaurant openings.
Interest Expense. Interest expense decreased $1.9 million for the thirteen weeks ended June 30, 2013, as compared to the thirteen weeks ended June 24, 2012. The decrease was primarily due to lower average outstanding borrowings under our senior secured credit facility during the thirteen weeks ended June 30, 2013, compared to the same period in 2012. Borrowings during the thirteen weeks ended June 30, 2013 averaged approximately $5.0 million, while borrowings during the same period in 2012 averaged approximately $84.4 million. In addition, our interest rate on outstanding borrowings as of June 30, 2013 was 1.95% compared to 8.50% as of June 24, 2012.
Income Tax Expense. For the thirteen weeks ended June 30, 2013 our effective tax rate increased to 33.9% from 29.9% during the same period in 2012 primarily as a result of non-deductible secondary offering costs of $508,000, which were expensed during the current quarter and treated as a discrete tax item. The effective tax rates differ from the statutory rate of 34.0% primarily due to the non-deductible secondary offering costs offset by normal recurring tax credits attributable to FICA taxes paid on employee tips.
Net Income. As a result of the foregoing, net income increased $1.4 million, to $3.2 million for the thirteen weeks ended June 30, 2013 from $1.7 million during the same period in 2012. We had net income available to common stockholders of $3.2 million for the thirteen weeks ended June 30, 2013 as compared to net income available to common stockholders of $31,000 during the same period in 2012.

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Twenty-Six Weeks Ended June 30, 2013 Compared to Twenty-Six Weeks Ended June 24, 2012

The following table presents, for the periods indicated, the consolidated statement of operations (in thousands):

	Twenty-Six Weeks Ended									
	June 30, 2013	% of Revenue		June 24, 2012	% of Revenue		Change		% Change	
Revenue	$100,125	100.0	%	$81,021	100.0	%	$19,104		23.6	%
Costs and expenses:										
Cost of sales	27,201	27.2	%	21,570	26.6	%	5,631		26.1	%
Labor	31,715	31.7	%	25,683	31.7	%	6,032		23.5	%
Operating	14,084	14.1	%	11,321	14.0	%	2,763		24.4	%
Occupancy	5,999	6.0	%	4,810	5.9	%	1,189		24.7	%
General and administrative	5,302	5.3	%	3,922	4.8	%	1,380		35.2	%
Advisory agreement termination fee	—	—	%	2,000	2.5	%	(2,000	)	(100.0	)%
Secondary offering costs	925	0.9	%	—	—	%	925		100.0	%
Marketing	754	0.8	%	609	0.8	%	145		23.8	%
Restaurant pre-opening	2,021	2.0	%	1,980	2.5	%	41		2.1	%
Depreciation and amortization	4,094	4.0	%	2,947	3.6	%	1,147		38.9	%
Total costs and expenses	92,095	92.0	%	74,842	92.4	%	17,253		23.1	%
Income from operations	8,030	8.0	%	6,179	7.6	%	1,851		30.0	%
Interest expense	57	0.1	%	3,166	3.9	%	(3,109	)	(98.2	)%
Income before income taxes	7,973	7.9	%	3,013	3.7	%	4,960		164.6	%
Income tax expense	2,172	2.1	%	902	1.1	%	1,270		140.8	%
Net income	$5,801	5.8	%	$2,111	2.6	%	$3,690		174.8	%

Revenue. Revenue increased $19.1 million, or 23.6%, to $100.1 million for the twenty-six weeks ended June 30, 2013, as compared to $81.0 million for the twenty-six weeks ended June 24, 2012. This increase was primarily driven by $19.7 million in incremental revenue from an additional 222 operating weeks provided by 13 new restaurants opened during and subsequent to the twenty-six ended June 24, 2012 and increased revenue at our comparable restaurants. These increases were partially offset by a decrease in revenue related to non-comparable restaurants that are not included in the incremental revenue discussed above. Our non-comparable restaurant revenue decreased from higher than normal revenue during the twenty-six weeks ended June 24, 2012 as a result of the 'honeymoon' period that follows a restaurant's initial opening.

Due to the inclusion of a 53rd week in fiscal 2012, there is a one-week calendar shift in the comparison of the twenty-six weeks ended June 30, 2013, to the twenty-six weeks ended June 24, 2012. As a result, we calculate comparable restaurant sales by comparing sales in the twenty-six weeks ended June 30, 2013 to sales in the corresponding twenty-six week calendar period ended July 1, 2012. Comparable restaurant sales increased 2.2% for the twenty-six week period ended June 30, 2013 compared to the twenty-six week period ended July 1, 2012. The increase in comparable restaurant sales was driven by a 2.0% increase in average check and a 0.2% increase in average weekly customers. Sales for the same restaurants in the twenty-six week fiscal period ended June 30, 2013 increased 1.7% compared to the twenty-six week fiscal period ended June 24, 2012. Our revenue mix attributed to bar sales decreased to 19.1% during the twenty-six weeks ended June 30, 2013 from 19.8%, primarily as a result of lower bar sales as a percent of total revenue at certain new locations.

Cost of Sales. Cost of sales as a percentage of revenue increased to 27.2% during the twenty-six weeks ended June 30, 2013, from 26.6% during the same period in 2012, primarily as a result of higher chicken and produce costs and, to a lesser degree, higher dairy costs.

Labor Costs. Labor costs as a percentage of revenue remained constant at 31.7% during the twenty-six weeks ended June 30, 2013, compared to the same period in 2012.

Operating Costs. Operating costs as a percentage of revenue increased to 14.1% during the twenty-six weeks ended June 30, 2013 compared to the same period in 2012. This increase was primarily caused by increases in utility, repair

and maintenance and insurance costs, partially offset by lower liquor taxes as a result of opening more locations outside of Texas, which charges a higher liquor tax than other jurisdictions.
Occupancy Costs. Occupancy costs as a percentage of revenue increased to 6.0% in the twenty-six weeks ended June 30, 2013, from 5.9% during the same period in 2012, primarily as a result of higher common area expenses and real estate taxes.

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General and Administrative Expenses. General and administrative expenses increased $1.4 million, or 35.2%, to $5.3 million for the twenty-six weeks ended June 30, 2013, as compared to $3.9 million during the same period in 2012. This increase was primarily driven by an increase in salary expense associated with additional employees as we continue to strengthen our infrastructure for future growth, an increase in performance based bonuses as a result of our stronger overall profitability and additional payroll taxes due to the exercise of employee stock options. Additionally, this increase was the result of incremental costs associated with being a public company.

Advisory Agreement Termination Fee. On March 21, 2012, we paid a $2.0 million termination fee to terminate our advisory agreement with Goode Partners.

Secondary Offering Costs. During the twenty-six week period ended June 30, 2013, we incurred $925,000 of offering expenses related to two secondary offerings of the Company's common stock that were completed in January 2013 and April 2013. All of the common stock sold in the offerings was sold by certain existing stockholders, and as a result, the Company did not receive any proceeds from these offerings.

Marketing Costs. As a percentage of revenue, marketing costs remained flat at approximately 0.8%.

Restaurant Pre-opening Costs. Restaurant pre-opening costs remained constant at $2.0 million for the twenty-six weeks ended June 30, 2013 as compared the same period in 2012. Although there were 9 restaurants in development or opened during the twenty-six week period ended June 30, 2013 compared to 8 restaurants in development or opened during the same period in 2012, pre-opening costs remained constant in 2013 as a result of the timing of the development schedule.

Depreciation and Amortization. Depreciation and amortization as a percentage of revenue increased to 4.0% for the twenty-six weeks ended June 30, 2013, as compared to 3.6% during the same period in 2012. This increase is primarily related to the increase in equipment and leasehold improvement costs related to new restaurant openings.

Interest Expense. Interest expense decreased $3.1 million for the twenty-six weeks ended June 30, 2013, as compared to the twenty-six weeks ended June 24, 2012. The decrease was primarily due to lower average outstanding borrowings under our senior secured credit facility during the twenty-six weeks ended June 30, 2013 compared to the same period in 2012. Borrowings during the twenty-six weeks ended June 30, 2013 averaged $5.0 million, while borrowings during the same period in 2012 averaged approximately $69.8 million. In addition, our interest rate on outstanding borrowings as of June 30, 2013 was 1.95% compared to 8.50% as of June 24, 2012.

Income Tax Expense. For the twenty-six weeks ended June 30, 2013, the effective tax rate was 27.2% as compared to 29.9% for the same period in June 24, 2012. The decrease in the effective income tax rate as compared to the same period in 2012 was primarily attributable to the favorable impact of a one time adjustment made for incremental employment tax credits for the current year as well as the previous open tax years, which resulted in a $556,000 net favorable impact in net income during the twenty-six weeks ended June 30, 2013. The decrease in the effective income tax rate was partially offset by the unfavorable impact of the non-tax deductible secondary offering costs incurred during the current twenty-six weeks ended June 30, 2013. The impact on the effective income tax rate for these items will be treated discretely in this twenty-six week period as required by the Financial Accounting Standards Board's Accounting Standards Codification. The effective income tax rate for 2013 excluding these discrete items is estimated to be approximately 30%. Additionally, due to the Company's net operating loss carry forwards the net favorable tax benefit related to employment tax credits will primarily be added to the general business credits deferred tax asset and will not be utilized to reduce taxes until the net operating loss carry forwards are completely utilized.

Net Income. As a result of the foregoing, net income increased $3.7 million, to $5.8 million for the twenty-six weeks ended June 30, 2013 from $2.1 million during the same period in 2012. We had net income available to common stockholders of $5.8 million for the twenty-six weeks ended June 30, 2013 as compared to net income available to common stockholders of $32,000 during the same period in 2012.

Liquidity

Our principal sources of cash are net cash provided by operating activities, which includes tenant improvement allowances from our landlords, and borrowings under our $25 million credit facility (the "Revolving Credit Facility"), which we entered into on November 30, 2012. Our need for capital resources is driven by our restaurant expansion plans, ongoing maintenance of our restaurants, investment in our corporate and information technology infrastructure, obligations under our operating leases and interest payments on our debt. Based on our current growth plans, we believe our expected cash flows from operations, expected tenant improvement allowances and available borrowings under our Revolving Credit Facility will be sufficient to finance our planned capital expenditures and other operating activities for the next twelve months.

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Consistent with many other restaurant and retail chain store operations, we use operating lease arrangements for our restaurants. We believe that these operating lease arrangements provide appropriate leverage of our capital structure in a financially efficient manner. We have entered into operating leases with certain related parties with respect to six of our restaurants and our corporate headquarters as described in our Annual Report under the heading “Certain Relationships and Related Transactions, and Director Independence.”

Our liquidity may be adversely affected by a number of factors, including a decrease in customer traffic or average check per customer due to changes in economic conditions.

Cash Flows for Twenty-Six Weeks Ended June 30, 2013 and June 24, 2012

The following table summarizes the statement of cash flows for the twenty-six weeks ended June 30, 2013 and June 24, 2012 (in thousands):

	Twenty-Six Weeks Ended	
	June 30, 2013	June 24, 2012
Net cash provided by operating activities	$11,090	$9,395
Net cash used in investing activities	(13,825)	(13,697)
Net cash provided by financing activities	650	6,096
Net increase (decrease) in cash and cash equivalents	(2,085)	1,794
Cash and cash equivalents at beginning of year	5,855	2,827
Cash and cash equivalents at end of period	$3,770	$4,621

Operating Activities. Net cash provided by operating activities increased $1.7 million to $11.1 million for the twenty-six weeks ended June 30, 2013, from $9.4 million during the same period in 2012. Our business is almost exclusively a cash business. Almost all of our receipts come in the form of cash and cash equivalents and a large majority of our expenditures are paid within a 30 day period. The increase in net cash provided by operating activities during the twenty-six weeks ended June 30, 2013 compared to the same period in 2012 was primarily due to an increase of $3.7 million in net income, deferred income taxes of $1.4 million, $1.1 million in lease incentives received and $1.1 million in depreciation and amortization, partially offset by a decrease in accrued liabilities of $3.4 million, accounts payable of $1.5 million and prepaid expenses of $0.4 million, as compared to the prior year.

Investing Activities. Net cash used in investing activities increased $0.1 million to $13.8 million for the twenty-six weeks ended June 30, 2013, from $13.7 million for the twenty-six weeks ended 2012. This increase was the result of an increase in capital expenditures of $0.1 million for the twenty-six weeks ended June 30, 2013. We had a comparable number of restaurants under construction during both comparable twenty-six week periods.

Financing Activities. Net cash provided by financing activities decreased $5.4 million to $0.7 million for the twenty-six weeks ended June 30, 2013 from $6.1 million during the same period in 2012. This decrease was primarily the result of $29.2 million in net borrowings of long-term debt during the twenty-six weeks ended June 24, 2012 compared to net payments of $0.5 million on our Revolving Credit Facility during the twenty-six weeks ended June 30, 2013. This decrease was partially offset by the repurchase of approximately $22.5 million of our common stock, series A preferred stock, series B preferred stock and series X preferred stock during the twenty-six weeks ended June 24, 2012 and the receipt of proceeds from the exercise of stock options by certain employees under our stock based compensation plan during the twenty-six week period ended June 30, 2013.

As of June 30, 2013, we had no financing transactions, arrangements or other relationships with any unconsolidated affiliates or related parties. Additionally, we had no financing arrangements involving synthetic leases or trading activities involving commodity contracts.

Capital Resources

Long-Term Capital Requirements

Our capital requirements are primarily dependent upon the pace of our growth plan and resulting new restaurants. Our growth plan is dependent upon many factors, including economic conditions, real estate markets, restaurant locations and the nature of our lease agreements. Our capital expenditure outlays are also dependent on costs for maintenance and capacity additions in our existing restaurants as well as information technology and other general corporate capital expenditures.

The capital resources required for a new restaurant depend on whether the restaurant is a ground-up construction or a conversion. We estimate that each ground-up restaurant will require a total cash investment of $1.7 million to $2.5 million (net of estimated tenant improvement allowances of between zero and $0.8 million). We estimate that each conversion will require a total cash

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investment of $2.0 million to $2.2 million. In addition to the cost of the conversion or ground-up buildout, we expect to spend approximately $350,000 to $400,000 per restaurant for restaurant pre-opening costs. We target a cash-on-cash return beginning in the third operating year of 40.0%, and a sales to investment ratio of 2:1 for our new restaurants.

For 2013, we currently estimate capital expenditure outlays will range between $19.1 million and $21.2 million, net of agreed upon tenant improvement allowances and excluding approximately $3.3 million to $3.9 million of restaurant pre-opening costs for new restaurants that are not capitalized. Of the restaurant pre-opening costs that are not capitalized, we spent $2.0 million during the twenty-six weeks ended June 30, 2013. These capital expenditure estimates are based on average new restaurant capital expenditures of $2.1 million (net of estimated tenant improvement allowances) each for the opening of eight to nine new restaurants as well as $2.3 million to improve our existing restaurants and for general corporate purposes.

Based on our growth plans, we believe our combined expected cash flows from operations, available borrowings under our Revolving Credit Facility and expected tenant improvement allowances will be sufficient to finance our planned capital expenditures and other operating activities in fiscal 2013.

Short-Term Capital Requirements

Our operations have not required significant working capital and, like many restaurant companies, we operate with negative working capital. Restaurant sales are primarily paid for in cash or by credit card, and restaurant operations do not require significant inventories or receivables. In addition, we receive trade credit for the purchase of food, beverages and supplies, therefore reducing the need for incremental working capital to support growth. We had a net working capital deficit of $0.4 million at June 30, 2013, compared to a net working capital deficit of $2.7 million at December 30, 2012.

Revolving Credit Facility

On November 30, 2012, the Company entered into a $25.0 million secured revolving credit facility (the "Revolving Credit Facility") with Wells Fargo Bank, National Association, which replaced the company's previous credit facility. As of June 30, 2013, we had borrowings under our Revolving Credit Facility of $4.5 million, and the amount available for future borrowings was $20.5 million. The Revolving Credit Facility (a) will mature on November 30, 2017, unless the Company exercises its option to voluntarily reduce all of the commitment before the maturity date, (b) accrues commitment fees on the daily unused balance of the facility at an applicable margin, which varies based on the Company’s consolidated total lease adjusted leverage ratio and (c) provides for letters of credit in amounts totaling the lesser of $5.0 million or the available borrowings under our Revolving Credit Facility. All borrowings under the Revolving Credit Facility bear interest at a variable rate based upon the Company’s election, of (i) the base rate (which is the highest of the prime rate, federal funds rate plus 0.50% or one month LIBOR) plus 1%, or (ii) LIBOR, plus, in either case, an applicable margin based on the Company’s consolidated total lease adjusted leverage ratio. Interest is due at the end of each quarter if the Company selects to pay interest based on the base rate and at the end of each LIBOR period if it selects to pay interest based on LIBOR. We have elected a variable rate of interest based on LIBOR. As of June 30, 2013, this interest rate was 1.95%.

Our Revolving Credit Facility requires us to comply with certain financial tests, including a maximum consolidated total lease adjusted leverage ratio and a minimum consolidated fixed charge ratio. In addition, our Revolving Credit Facility contains other customary negative covenants limiting, among other things, additional indebtedness; additional liens; investments; mergers, acquisitions and consolidations; the sale of assets and stock; the declaration or payment of dividends, except subsidiaries may declare and pay a dividend to us; affiliate transactions; accounting changes; organizational document changes; further negative pledges; other restrictive agreements; and changes to the nature of our business. Our Revolving Credit Facility also contains customary events of default.

As of June 30, 2013, we were in compliance with all covenants under our Revolving Credit Facility. Based on our capital expenditure plans, contractual commitments and cash flow from operations, we expect to be able to comply with these covenants in the near and long term.

Contractual Obligations

There have been no material changes to our contractual obligations from what was previously reported in our Annual Report.

Off-Balance Sheet Arrangements

As of June 30, 2013, we had no off balance sheet arrangements or transactions.

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Significant Accounting Policies

There have been no material changes to the significant accounting policies from what was previously reported in our Annual Report.

Recent Accounting Pronouncements

We reviewed all significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our consolidated financial statements as a result of future adoption.

Cautionary Statement Concerning Forward-Looking Statements

Forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, the following:

- the success of our existing and new restaurants;
- our ability to identify appropriate sites and develop and expand our operations;
- changes in economic conditions, including continuing effects from the recent recession;
- damage to our reputation or lack of acceptance of our brand in existing or new markets;
- economic and other trends and developments, including adverse weather conditions, in the local or regional areas in which our restaurants are located;
- the impact of negative economic factors, including the availability of credit, on our landlords and surrounding tenants;
- changes in food availability and costs;
- labor shortages and increases in our labor costs, including as a result of changes in government regulation such as the adoption of the new federal healthcare legislation;
- increased competition in the restaurant industry and the segments in which we compete;
- the impact of legislation and regulations regarding nutritional information, and new information or attitudes regarding diet and health or adverse opinions about the health of consuming our menu offerings;
- the impact of federal, state and local beer, liquor and food service regulations;
- the success of our marketing programs;
- the impact of new restaurant openings, including on the effect on our existing restaurants of opening new restaurants in the same markets;
- the loss of key members of our management team and the transition to new officers;
- strain on our infrastructure and resources caused by our growth;
- the impact of litigation;
- the inadequacy of our insurance coverage and fluctuating insurance requirements and costs;
- the impact of our indebtedness on our ability to invest in the ongoing needs of our business;
- our ability to obtain debt or other financing on favorable terms or at all;
- the impact of a potential requirement to record asset impairment charges in the future;
- the impact of security breaches of confidential customer information in connection with our electronic processing of credit and debit card transactions;
- inadequate protection of our intellectual property;
- the failure of our information technology system or the breach of our network security;
- a major natural or man-made disaster;
- our increased costs and obligations as a result of being a public company;
- the impact of federal, state and local tax rules;
- the impact of our election to take advantage of certain exemptions applicable to emerging growth companies;
- the impact of our election and the loss of our ability to avail ourselves of the controlled-company exemptions from corporate governance requirements of the Nasdaq Marketplace rules;
- volatility in the price of our common stock;
- the impact of future sales of our common stock in the public market, and the exercise of stock options and any additional capital raised by us through the sale of our common stock;
-

the impact of a downgrade of our shares by securities analysts or industry analysts, the publication of negative research or reports, or lack of publication of reports about our business;

- the potential to no longer benefit from our relationship with Goode Partners;
- the effect of anti-takeover provisions in our charter documents and under Delaware law;
- the effect of our decision to not pay dividends for the foreseeable future;
- the effect of changes in accounting principles applicable to us;
- our ability to raise capital in the future; and
- the conflicts of interest that may arise because some of our directors are principals of investment funds.

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The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this report and in our Annual Report. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Any forward-looking statements you read in this report reflect our views as of the date of this report with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. We assume no obligation to provide revisions to any forward looking statements should circumstances change, except as may be required by law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are subject to interest rate risk in connection with our long-term indebtedness. Our principal interest rate exposure relates to loans outstanding under our Revolving Credit Facility that we entered into in November 2012. All outstanding indebtedness under our Revolving Credit Facility bears interest at a variable rate based on LIBOR. Each quarter point change in interest rates on the variable portion of indebtedness under our Revolving Credit Facility would result in a change of $11,250 to our interest expense on an annual basis.

Commodity Price Risk

We are exposed to market price fluctuation in food product prices. Given the historical volatility of certain of our food product prices, including produce, chicken, beef and cheese, these fluctuations can materially impact our food and beverage costs. While we have taken steps to enter into long term agreements for some of the commodities used in our restaurant operations, there can be no assurance that future supplies and costs for such commodities will not fluctuate due to weather and other market conditions outside of our control.

Consequently, such commodities can be subject to unforeseen supply and cost fluctuations. Dairy costs can also fluctuate due to government regulation. Because we typically set our menu prices in advance of our food product prices, we cannot immediately take into account changing costs of food items. To the extent that we are unable to pass the increased costs on to our customers through price increases, our results of operations would be adversely affected. We do not use financial instruments to hedge our risk to market price fluctuations in our food product prices at this time.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

The design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Because of its inherent limitations, disclosure controls and procedures may not prevent or detect all misstatements. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II—Other Information

Item 1. Legal Proceedings

Occasionally, we are a party to various legal actions arising in the ordinary course of our business including claims resulting from “slip and fall” accidents, employment related claims and claims from customers or employees alleging illness, injury or other food quality, health or operational concerns. None of these types of litigation, most of which are covered by insurance, has had a material effect on us in the past. As of the date of this report, we are not a party to any material pending legal proceedings and are not aware of any claims that could have a materially adverse effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in our Annual Report and our other recent filings with the Securities and Exchange Commission.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

See Exhibit Index following the signature page of this report.

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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 8, 2013

CHUY’S HOLDINGS, INC.

By:	/s/ Steven J. Hislop	
	Name:	Steven J. Hislop
	Title:	President and Chief Executive Officer (Principal Executive Officer)

By:	/s/ Jon W. Howie	
	Name:	Jon W. Howie
	Title:	Vice President and Chief Financial Officer (Principal Financial Officer)

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Exhibit Index

Exhibit No.	Description of Exhibit
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document