

OSI RESTAURANT PARTNERS, LLC

Form 10-Q

November 12, 2010

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

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2010

Or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number: 1-15935

OSI RESTAURANT PARTNERS, LLC

(Exact name of registrant as specified in its charter)

DELAWARE

59-3061413

(State or other jurisdiction of incorporation (I.R.S. Employer Identification No.)
or organization)

2202 North West Shore Boulevard, Suite 500, Tampa, Florida 33607

(Address of principal executive offices) (Zip Code)

(813) 282-1225

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 checkmark whether the registrant has submitted electronically and posted on its corporate Web site, 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 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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange

Act). YES NO

As of November 12, 2010, the registrant has 100 Common Units, no par value, outstanding (all of which are owned by OSI HoldCo, Inc., the registrant's direct owner), and none are publicly traded.

OSI RESTAURANT PARTNERS, LLC

INDEX TO QUARTERLY REPORT ON FORM 10-Q
For the Quarterly Period Ended September 30, 2010
(Unaudited)

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PART I: FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

OSI Restaurant Partners, LLC
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT COMMON UNITS, UNAUDITED)

	SEPTEMBER 30, 2010	DECEMBER 31, 2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 154,392	\$ 289,162
Current portion of restricted cash	6,270	3,989
Inventories	52,926	57,223
Deferred income tax assets	31,421	38,644
Other current assets, net	78,219	95,494
Total current assets	323,228	484,512
Property, fixtures and equipment, net	830,674	888,738
Investments in and advances to unconsolidated affiliates, net	28,268	22,718
Goodwill	448,722	448,722
Intangible assets, net	581,511	592,293
Other assets, net	141,719	148,046
Total assets	2,354,122	2,585,029
LIABILITIES AND DEFICIT		
Current Liabilities		
Accounts payable	102,112	107,147
Accrued and other current liabilities	173,965	218,560
Current portion of accrued buyout liability	12,386	15,111
Unearned revenue	137,388	237,580
Current portion of long-term debt	132,994	134,333
Total current liabilities	558,845	712,731
Partner deposit and accrued buyout liability	108,853	108,926
Deferred rent	80,456	69,801
Deferred income tax liability	190,350	198,081
Long-term debt	1,280,075	1,369,319
Guaranteed debt	24,500	24,500
Other long-term liabilities, net	219,702	228,495
Total liabilities	2,462,781	2,711,853
Commitments and contingencies		
Deficit		
OSI Restaurant Partners, LLC Unitholder's Deficit		
Common units, no par value, 100 units authorized, issued and outstanding as of September 30, 2010 and December 31, 2009	-	-
Additional paid-in capital	719,229	713,969
Accumulated deficit	(827,941)	(842,966)
Accumulated other comprehensive loss	(14,453)	(16,799)
Total OSI Restaurant Partners, LLC unitholder's deficit	(123,165)	(145,796)

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Noncontrolling interests	14,506	18,972
Total deficit	(108,659)	(126,824)
Total liabilities and deficit	\$ 2,354,122	\$ 2,585,029

The accompanying notes are an integral part of these Consolidated Financial Statements.

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OSI Restaurant Partners, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, UNAUDITED)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2010	2009	SEPTEMBER 30, 2010	2009
Revenues				
Restaurant sales	\$844,388	\$835,926	\$2,693,291	\$2,693,721
Other revenues	8,249	5,855	23,796	18,224
Total revenues	852,637	841,781	2,717,087	2,711,945
Costs and expenses				
Cost of sales	269,997	279,456	862,447	892,291
Labor and other related	252,912	249,350	773,858	777,315
Other restaurant operating	235,508	228,647	711,471	706,871
Depreciation and amortization	32,091	36,432	102,945	126,283
General and administrative	60,372	54,080	190,413	183,677
Loss on contingent debt guarantee	-	-	-	24,500
Goodwill impairment	-	-	-	11,078
Provision for impaired assets and restaurant closings	503	15,115	4,517	134,457
Income from operations of unconsolidated affiliates	(2,342)	(538)	(4,313)	(655)
Total costs and expenses	849,041	862,542	2,641,338	2,855,817
Income (loss) from operations	3,596	(20,761)	75,749	(143,872)
Gain on extinguishment of debt	-	-	-	158,061
Other income, net	1,394	3,204	2,387	10
Interest expense, net	(17,756)	(23,761)	(53,091)	(73,447)
(Loss) income before (benefit) provision for income taxes	(12,766)	(41,318)	25,045	(59,248)
(Benefit) provision for income taxes	(5,440)	(20,646)	11,867	(33,933)
Net (loss) income	(7,326)	(20,672)	13,178	(25,315)
Less: net income (loss) attributable to noncontrolling interests	382	(476)	4,231	(1,205)
Net (loss) income attributable to OSI Restaurant Partners, LLC	\$(7,708)	\$(20,196)	\$8,947	\$(24,110)

The accompanying notes are an integral part of these Consolidated Financial Statements.

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OSI Restaurant Partners, LLC
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY/(DEFICIT)
 (IN THOUSANDS, EXCEPT COMMON UNITS, UNAUDITED)

	COMMON UNITS	COMMON UNITS AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	ACCUMULATED		NON- CONTROLLING INTEREST	TOTAL
					OTHER COMPREHENSIVE LOSS			
Balance, December 31, 2009	100	\$-	\$ 713,969	\$ (842,966)	\$ (16,799)		\$ 18,972	\$(126,824)
Cumulative effect from adoption of variable interest entity guidance	-	-	-	6,078	-		(386)	5,692
Stock-based compensation	-	-	5,260	-	-		-	5,260
Net income	-	-	-	8,947	-		4,231	13,178
Foreign currency translation adjustment	-	-	-	-	2,346		-	2,346
Total comprehensive income	-	-	-	-	-		-	15,524
Distributions to noncontrolling interests	-	-	-	-	-		(8,414)	(8,414)
Contributions from noncontrolling interests	-	-	-	-	-		103	103
Balance, September 30, 2010	100	\$-	\$ 719,229	\$ (827,941)	\$ (14,453)		\$ 14,506	\$(108,659)

	COMMON UNITS	COMMON UNITS AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	ACCUMULATED		NON- CONTROLLING INTEREST	TOTAL
					OTHER COMPREHENSIVE LOSS			
Balance, December 31, 2008	100	\$-	\$ 651,043	\$ (788,940)	\$ (24,857)		\$ 26,707	\$(136,047)
Stock-based compensation	-	-	14,515	-	-		-	14,515
Contribution from OSI HoldCo, Inc.	-	-	47,000	-	-		-	47,000

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Net loss	-	-	-	(24,110)	-	(1,205)	(25,315)
Foreign currency translation adjustment	-	-	-	-	6,549	-	6,549
Total comprehensive loss	-	-	-	-	-	-	(18,766)
Distributions to noncontrolling interests	-	-	-	-	-	(6,196)	(6,196)
Contributions from noncontrolling interests	-	-	-	-	-	1,635	1,635
Balance, September 30, 2009	100	\$-	\$ 712,558	\$ (813,050)	\$ (18,308)	\$ 20,941	\$ (97,859)

The accompanying notes are an integral part of these Consolidated Financial Statements.

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OSI Restaurant Partners, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS, UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2010	2009
Cash flows provided by (used in) operating activities:		
Net income (loss)	\$13,178	\$(25,315)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	102,945	126,283
Amortization of deferred financing fees	6,052	6,565
Amortization of capitalized gift card sales commissions	10,649	7,183
Goodwill impairment	-	11,078
Provision for impaired assets and restaurant closings	4,517	134,457
Stock-based and other non-cash compensation expense	26,282	39,103
Income from operations of unconsolidated affiliates	(4,313)	(655)
Change in deferred income taxes	(2)	(40,880)
Loss on disposal of property, fixtures and equipment	3,530	4,280
Unrealized gain on derivative financial instruments	(18,041)	(1,653)
Gain on life insurance and restricted cash investments	(428)	(7,198)
Loss on contingent debt guarantee	-	24,500
Gain on extinguishment of debt	-	(158,061)
Gain on disposal of subsidiary	-	(2,001)
Provision for bad debt expense	907	2,508
Change in assets and liabilities:		
Decrease in inventories	3,402	30,086
Increase in other current assets	(14,283)	(16,067)
Decrease in other assets	8,076	6,944
Increase in accrued interest payable	5,819	4,903
Decrease in accounts payable and accrued and other current liabilities	(24,794)	(91,701)
Increase in deferred rent	12,473	14,943
Decrease in unearned revenue	(100,088)	(94,294)
Decrease in other long-term liabilities	(4,530)	(17,495)
Net cash provided by (used in) operating activities	31,351	(42,487)
Cash flows used in investing activities:		
Purchases of Company-owned life insurance	(2,051)	(6,571)
Proceeds from sale of Company-owned life insurance	4,865	13,232
De-consolidation of subsidiary	(4,398)	-
Capital expenditures	(43,556)	(47,889)
Proceeds from the sale of property, fixtures and equipment	-	961
Restricted cash received for capital expenditures, property taxes and certain deferred compensation plans	11,578	20,258
Restricted cash used to fund capital expenditures, property taxes and certain deferred compensation plans	(13,857)	(20,314)
Net cash used in investing activities	\$(47,419)	\$(40,323)

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OSI Restaurant Partners, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS, UNAUDITED)

	NINE MONTHS ENDED	
	SEPTEMBER 30,	
	2010	2009
Cash flows used in financing activities:		
Repayments of long-term debt	\$(74,968)	\$(15,324)
Proceeds from borrowings on revolving credit facilities	37,000	16,400
Repayments of borrowings on revolving credit facilities	(55,928)	(12,700)
Extinguishment of senior notes	-	(75,967)
Deferred financing fees	(1,286)	(155)
Purchase of note related to guaranteed debt	-	(33,283)
Contribution from OSI HoldCo, Inc.	-	47,000
Contributions from noncontrolling interests	103	1,635
Distributions to noncontrolling interests	(8,414)	(6,196)
Repayment of partner deposit and accrued buyout contributions	(16,468)	(5,602)
Receipt of partner deposit and other contributions	2,719	2,614
Net cash used in financing activities	(117,242)	(81,578)
Effect of exchange rate changes on cash and cash equivalents	(1,460)	(337)
Net decrease in cash and cash equivalents	(134,770)	(164,725)
Cash and cash equivalents at the beginning of the period		