

BJs RESTAURANTS INC
Form 10-Q
October 31, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 27, 2016

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 0-21423

BJ S RESTAURANTS, INC.

(Exact name of registrant as specified in its charter)

California (State or other jurisdiction of incorporation or organization)	33-0485615 (I.R.S. Employer Identification Number)
7755 Center Avenue, Suite 300	

Huntington Beach, California 92647

(714) 500-2400

(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

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

Edgar Filing: BJs RESTAURANTS INC - Form 10-Q

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 (section 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 definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (do not check if 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 .

As of October 28, 2016, there were 23,258,257 shares of Common Stock of the Registrant outstanding.

Table of Contents

BJ S RESTAURANTS, INC.

TABLE OF CONTENTS

	Page
PART I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Consolidated Financial Statements</u>	
<u>Consolidated Balance Sheets</u> <u>September 27, 2016 (Unaudited) and December 29, 2015</u>	1
<u>Unaudited Consolidated Statements of Income</u> <u>Thirteen and Thirty-Nine Weeks Ended September 27, 2016 and September 29, 2015</u>	2
<u>Unaudited Consolidated Statements of Cash Flows</u> <u>Thirteen and Thirty-Nine Weeks Ended September 27, 2016 and September 29, 2015</u>	3
<u>Notes to Unaudited Consolidated Financial Statements</u>	4
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	9
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	18
Item 4. <u>Controls and Procedures</u>	19
PART II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	19
Item 1A. <u>Risk Factors</u>	19
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	20
Item 6. <u>Exhibits</u>	20
 <u>SIGNATURES</u>	 22

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. CONSOLIDATED FINANCIAL STATEMENTS****BJ S RESTAURANTS, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands)**

	September 27, 2016	December 29, 2015
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$25,948	\$34,604
Accounts and other receivables, net	11,961	25,364
Inventories, net	9,513	8,893
Prepaid expenses and other current assets	2,566	7,171
Deferred income taxes	16,971	16,971
Total current assets	66,959	93,003
Property and equipment, net	598,370	561,832
Goodwill	4,673	4,673
Other assets, net	24,661	22,157
Total assets	\$694,663	\$681,665
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	\$33,748	\$33,033
Accrued expenses	88,756	83,861
Total current liabilities	122,504	116,894
Deferred income taxes	50,786	46,669
Deferred rent	29,852	27,627
Deferred lease incentives	54,497	53,837
Long-term debt	109,300	100,500
Other liabilities	19,170	19,655
Total liabilities	386,109	365,182
Commitments and contingencies		

Shareholders' equity:		
Preferred stock, 5,000 shares authorized, none issued or outstanding		
Common stock, no par value, 125,000 shares authorized and 23,618 and 24,672 shares issued and outstanding as of September 27, 2016 and December 29, 2015, respectively		7,367
Capital surplus	65,742	63,290
Retained earnings	242,812	245,826
Total shareholders' equity	308,554	316,483
Total liabilities and shareholders' equity	\$694,663	\$681,665

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**BJ S RESTAURANTS, INC.****UNAUDITED CONSOLIDATED STATEMENTS OF INCOME****(In thousands, except per share data)**

	For The Thirteen Weeks Ended		For The Thirty-Nine Weeks Ended	
	September 27, 2016	September 29, 2015	September 27, 2016	September 29, 2015
Revenues	\$233,702	\$229,412	\$727,431	\$686,494
Costs and expenses:				
Cost of sales	59,882	56,198	183,091	169,428
Labor and benefits	82,034	78,953	252,793	237,444
Occupancy and operating	50,474	48,960	149,691	143,227
General and administrative	12,921	13,620	41,050	40,698
Depreciation and amortization	16,292	15,093	47,930	44,008
Restaurant opening	2,218	2,298	5,216	5,702
Loss on disposal and impairment of assets	810	689	2,266	1,713
Gain on lease termination, net		(2,910)		(2,910)
Legal and other settlements			369	
Total costs and expenses	224,631	212,901	682,406	639,310
Income from operations	9,071	16,511	45,025	47,184
Other income (expense):				
Interest expense, net	(344)	(201)	(1,100)	(710)
Other income (expense), net	378	(257)	813	224
Total other income (expense)	34	(458)	(287)	(486)
Income before income taxes	9,105	16,053	44,738	46,698
Income tax expense	1,868	3,689	12,068	12,281
Net income	\$7,237	\$12,364	\$32,670	\$34,417
Net income per share:				
Basic	\$0.30	\$0.48	\$1.35	\$1.33
Diluted	\$0.30	\$0.48	\$1.33	\$1.30

Weighted average number of shares

Edgar Filing: BJs RESTAURANTS INC - Form 10-Q

outstanding:

Basic	24,091	25,493	24,172	25,926
Diluted	24,486	25,964	24,589	26,466

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**BJ S RESTAURANTS, INC.****UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)**

	For The Thirty-Nine Weeks Ended	
	September 27,	September 29,
	2016	2015
Cash flows from operating activities:		
Net income	\$32,670	\$34,417
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	47,930	44,008
Deferred income taxes	4,117	3,493
Stock-based compensation expense	4,580	3,940
Loss on disposal and impairment of assets	2,266	1,713
Gain on lease termination, net		(2,910)
Changes in assets and liabilities:		
Accounts and other receivables	12,844	1,900
Landlord contribution for tenant improvements	559	(1,349)
Inventories	(620)	(626)
Prepaid expenses and other current assets	3,891	5,295
Other assets	(3,729)	(2,795)
Accounts payable	(3,172)	(5,288)
Accrued expenses	4,895	11,791
Deferred rent	2,225	2,441
Deferred lease incentives	660	3,496
Other liabilities	(485)	106
Net cash provided by operating activities	108,631	99,632
Cash flows from investing activities:		
Purchases of property and equipment	(80,682)	(63,088)
Proceeds from sale of assets		3,478
Net cash used in investing activities	(80,682)	(59,610)
Cash flows from financing activities:		
Borrowings on line of credit	749,700	340,400
Payments on line of credit	(740,900)	(330,900)
Excess tax benefit from stock-based compensation	289	3,978
Taxes paid on vested stock units under employee plans	(208)	(196)
Proceeds from exercise of stock options	1,890	7,924
Repurchases of common stock	(47,376)	(65,339)

Edgar Filing: BJs RESTAURANTS INC - Form 10-Q

Net cash used in financing activities	(36,605)	(44,133)
Net decrease in cash and cash equivalents	(8,656)	(4,111)
Cash and cash equivalents, beginning of period	34,604	30,683
Cash and cash equivalents, end of period	\$25,948	\$26,572

Supplemental disclosure of cash flow information:

Cash paid for income taxes	\$6,786	\$11,097
Cash paid for interest, net of capitalized interest	\$904	\$361

Supplemental disclosure of non-cash investing and financing activities:

Fixed assets acquired by accounts payable	\$14,802	\$15,962
Stock-based compensation capitalized	\$226	\$206

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

BJ'S RESTAURANTS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of BJ's Restaurants, Inc. (referred to herein as the Company, we, us and our) and our wholly owned subsidiaries. The financial statements presented herein include all material adjustments which are, in the opinion of management, necessary for a fair presentation of the statements of the financial condition, results of operations and cash flows for the period.

Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Certain information and footnote disclosures normally included in consolidated financial statements in accordance with U.S. GAAP have been omitted pursuant to the U.S. Securities and Exchange Commission (SEC) rules. The preparation of financial statements in accordance with U.S. GAAP requires us to make certain estimates and assumptions for the reporting periods covered by the financial statements. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses. Actual amounts could differ from these estimates.

A description of our accounting policies and other financial information is included in our audited consolidated financial statements filed with the SEC on Form 10-K for the year ended December 29, 2015. The disclosures included in our accompanying interim financial statements and footnotes should be read in conjunction with our consolidated financial statements and notes thereto included in the Annual Report on Form 10-K.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This guidance requires the recognition of most leases on the balance sheet to give investors, lenders, and other financial statement users a more comprehensive view of a company's long-term financial obligations as well as the assets it owns versus leases. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Currently, all of our restaurant and our restaurant support center leases are accounted for as operating leases, and therefore are not recorded within our balance sheet. We are currently evaluating the impact that this guidance will have on our consolidated financial statements as well as the expected adoption method.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718). This guidance will change how companies account for certain aspects of share-based payments to employees. Companies will be required to recognize the difference between the estimated and the actual tax impact of awards within the income statement when the awards vest or are settled, and additional paid-in capital (APIC) pools will be eliminated. This ASU also impacts the classification of awards as either equity or liabilities and the classification of share-based transactions within the statement of cash flows. ASU 2016-09 is effective for annual and interim reporting periods beginning after December 15, 2016, and early adoption is permitted. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In April 2016, the FASB issued ASU 2016-10, an amendment to ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services and expands related disclosure

requirements. ASU 2016-10 clarifies ASU 2014-09 to address the potential for diversity in practice at the adoption. ASU 2016-10 is effective for annual and interim reporting periods beginning after December 15, 2017, and early application is permitted. We are currently evaluating the impact this standard will have on our consolidated financial statements as well as the expected adoption method.

Table of Contents**2. LONG-TERM DEBT*****Line of Credit***

On August 24, 2016, we entered into an amendment to our existing loan agreement (Credit Facility) dated September 3, 2014, pursuant to which we increased the amount available under our revolving loan by \$50 million. The Credit Facility, which matures on September 3, 2019, now provides us with revolving loan commitments totaling \$200 million, of which \$50 million may be used for the issuance of letters of credit. Availability under the Credit Facility is reduced by outstanding letters of credit, which are used to support our self-insurance programs. Our obligations under the Credit Facility are unsecured. As of September 27, 2016, there were borrowings of \$109.3 million and letters of credit totaling approximately \$14.9 million outstanding under the Credit Facility. Available borrowings under the Credit Facility were \$75.8 million as of September 27, 2016. The Credit Facility bears interest at our choice of LIBOR plus a percentage not to exceed 1.75%, or at a rate ranging from Bank of America's prime rate to 0.75% above Bank of America's prime rate, based on our level of lease and debt obligations as compared to EBITDA plus lease expenses. The weighted average interest rate during the thirty-nine weeks ended September 27, 2016 was approximately 1.48%.

The Credit Facility contains provisions requiring us to maintain compliance with certain covenants, including a Fixed Charge Coverage Ratio and a Lease Adjusted Leverage Ratio. At September 27, 2016, we were in compliance with these covenants.

Interest expense related to the borrowings under the Credit Facility was \$0.9 million and \$0.4 million during the thirty-nine weeks ended September 27, 2016 and September 29, 2015, respectively. We also capitalized approximately \$0.2 million and \$0.1 million of interest expense related to new restaurant construction and significant remodel construction during the thirty-nine weeks ended September 27, 2016 and September 29, 2015, respectively.

3. NET INCOME PER SHARE

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share reflects the potential dilution that could occur if in-the-money stock options issued by us to sell common stock at set prices were exercised and if restrictions on restricted stock units issued by us were to lapse (collectively, equity awards) using the treasury stock method. Performance-based restricted stock units have been excluded from the diluted income per share computation because the performance-based criteria have not been met.

The following table presents a reconciliation of basic and diluted net income per share, including the number of dilutive equity awards that were included in the dilutive net income per share computation (in thousands):

	For The Thirteen Weeks Ended		For The Thirty-Nine Weeks Ended	
	September 27, 2016	September 29, 2015	September 27, 2016	September 29, 2015
Numerator:				
Net income	\$7,237	\$12,364	\$32,670	\$34,417
Denominator:				

Edgar Filing: BJ's RESTAURANTS INC - Form 10-Q

Weighted-average shares outstanding	basic	24,091	25,493	24,172	25,926
Dilutive effect of equity awards		395	471	417	540
Weighted-average shares outstanding	diluted	24,486	25,964	24,589	26,466

For the thirteen weeks ended September 27, 2016 and September 29, 2015, there were approximately 0.4 million and 0.2 million shares of common stock equivalents, respectively, that were excluded from the calculation of diluted net income per share because they are anti-dilutive. For the thirty-nine weeks ended September 27, 2016 and September 29, 2015, there were approximately 0.3 million and 0.2 million shares of common stock equivalents, respectively, that were excluded from the calculation of diluted net income per share because they are anti-dilutive.

Table of Contents**4. RELATED PARTY**

The Jacmar Companies and/or their affiliates (collectively referred to herein as "Jacmar") are shareholders of ours and James Dal Pozzo, the Chief Executive Officer of Jacmar, is a member of our Board of Directors. Jacmar, through its affiliation with Distribution Market Advantage ("DMA"), is currently our largest supplier of food, beverage, paper products and supplies. We began using DMA for our national foodservice distribution in July 2006. In July 2012, we finalized a new five-year agreement with DMA, after conducting an extensive competitive bidding process. Jacmar services our restaurants in California and Nevada, while other DMA distributors service our restaurants in all other states. Jacmar supplied us with \$67.1 million and \$66.0 million of food, beverage, paper products and supplies during the thirty-nine weeks ended September 27, 2016 and September 29, 2015, respectively, which represents 20.2% and 21.1% of our total costs of sales and occupancy and operating expenses, respectively. We had trade payables related to these products of \$5.1 million and \$4.3 million, at September 27, 2016 and December 29, 2015, respectively. Jacmar does not provide us with any produce, liquor, wine or beer products, all of which are provided by other third party vendors.

5. STOCK-BASED COMPENSATION

Our current shareholder approved stock-based compensation plan is the 2005 Equity Incentive Plan ("the Plan"), as amended from time to time. Under the Plan, we may issue shares of our common stock to employees, officers, directors and consultants. We have granted incentive stock options, non-qualified stock options, and performance and time-based restricted stock units. Stock options and stock appreciation rights are charged against the Plan share reserve on the basis of one share for each share granted. Other types of grants, including restricted stock units ("RSUs"), are currently charged against the Plan share reserve on the basis of 1.5 shares for each share granted. The Plan also contains other limits on the terms of incentive grants such as limits on the number that can be granted to an employee during any fiscal year. All options granted under the Plan expire within 10 years of their date of grant.

Under the Plan, we issue stock options as well as time-based and performance-based RSUs to officers. We issue time-based RSUs and stock options to other support employees. We also issue RSUs and stock options in connection with the BJ's Gold Standard Stock Ownership Program (the "GSSOP"). The GSSOP is a long-term equity incentive program for our restaurant general managers, executive kitchen managers and restaurant field supervision. GSSOP grants are dependent on the length of each participant's service with us and position. All GSSOP participants must remain in good standing during their service period.

The Plan permits us to set the vesting terms and exercise period for awards at our discretion. Stock options generally vest ratably over three or five years, cliff vest at five years, or cliff vest at 33% on the third anniversary and 67% on the fifth anniversary, and expire ten years from the date of grant. Time-based RSUs generally vest ratably over three or five years for non-GSSOP participants and either cliff vest at five years or cliff vest at 33% on the third anniversary and 67% on the fifth anniversary for GSSOP participants. Performance-based RSUs generally cliff vest on the third anniversary of the grant date in an amount from 0% to 150% of the grant quantity, dependent on the level of target achievement.

The following table presents information related to stock-based compensation (in thousands):

**For The Thirteen
Weeks Ended**

**For The Thirty-Nine
Weeks Ended**

	September 27, 2016	September 29, 2015	September 27, 2016	September 29, 2015
Labor and benefits	\$413	\$424	\$1,321	\$986
General and administrative	\$1,061	\$988	\$3,259	\$2,954
Capitalized (1)	\$64	\$80	\$226	\$206

- (1) Capitalized stock-based compensation relates to our restaurant development personnel and is included in Property and equipment, net on the Consolidated Balance Sheets.

Stock Options

The fair value of each stock option grant issued is estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the Thirty-Nine Weeks Ended	
	September 27, 2016	September 29, 2015
Expected volatility	35.9%	37.1%
Risk free interest rate	1.5%	1.4%
Expected option life	5 years	5 years
Dividend yield	0%	0%
Fair value of options granted	\$14.30	\$16.47

Table of Contents

U.S. GAAP requires us to make certain assumptions and judgments regarding the grant date fair value. These judgments include expected volatility, risk free interest rate, expected option life, dividend yield and vesting percentage. These estimations and judgments are determined by us using assumptions that, in many cases, are outside of our control. The changes in these variables or trends, including stock price volatility and risk free interest rate, may significantly impact the grant date fair value, resulting in a significant impact to our financial results.

The exercise price of our stock options under our stock-based compensation plan is required to equal or exceed the fair market value of the shares on the option grant date. The following table represents stock option activity:

	Options Outstanding		Options Exercisable	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
	(in thousands)	Price	(in thousands)	Price
Outstanding at December 29, 2015	1,224	\$30.59	729	\$25.41
Granted	130	42.35		
Exercised	(77)	24.56		
Forfeited	(43)	40.51		
Outstanding at September 27, 2016	1,234	\$31.86	747	\$27.02

As of September 27, 2016, total unrecognized stock-based compensation expense related to non-vested stock options was \$4.3 million, which is generally expected to be recognized over the next five years.

Restricted Stock Units***Time-Based Restricted Stock Units***

The following table represents time-based restricted stock unit activity:

	Shares	Weighted
		Average
	(in thousands)	Fair Value
Outstanding at December 29, 2015	429	\$39.63
Granted	114	42.67

Edgar Filing: BJs RESTAURANTS INC - Form 10-Q

Vested or released	(46)	40.42
Forfeited	(44)	41.96
Outstanding at September 27, 2016	453	\$40.10

The fair value of our time-based RSUs is the quoted market value of our common stock on the date of grant. The fair value of each time-based RSU is expensed over the vesting period (e.g., five years). As of September 27, 2016, total unrecognized stock-based compensation expense related to non-vested RSUs was approximately \$9.0 million, which is generally expected to be recognized over the next five years.

Performance-Based Restricted Stock Units

The following table represents performance-based restricted stock unit activity:

	Shares	Weighted
	(in thousands)	Average
		Fair Value
Outstanding at December 29, 2015	29	\$32.49
Granted	32	42.41
Vested or released		
Forfeited	(5)	36.06
Outstanding at September 27, 2016	56	\$37.84

Table of Contents

The fair value of our performance-based RSUs is the quoted market value of our common stock on the date of grant. The fair value of each performance-based RSU is recognized when it is probable the performance goal will be achieved. As of September 27, 2016, total unrecognized stock-based compensation expense related to non-vested performance-based RSUs was approximately \$1.0 million, which is generally expected to be recognized over the next three years.

6. INCOME TAXES

We calculate our interim income tax provision in accordance with ASC Topic 270, *Interim Reporting* and ASC Topic 740, *Accounting for Income Taxes*. At the end of each interim period, we estimate the annual effective tax rate and apply that rate to our ordinary year to date earnings. The related tax expense or benefit is recognized in the interim period in which it occurs. In addition, the effect of changes in enacted tax laws, rates or tax status is recognized in the interim period in which the change occurs. The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment including the expected operating income for the year, permanent and temporary differences as a result of differences between amounts measured and recognized in accordance with tax laws and financial accounting standards, and the likelihood of recovering deferred tax assets generated during the current fiscal year. The accounting estimates used to compute income tax expense may change as new events occur, additional information is obtained or the tax environment changes.

As of September 27, 2016, unrecognized tax benefits recorded was approximately \$1.5 million, of which approximately \$1.0 million, if reversed, would impact our effective tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance at December 29, 2015	\$2,998
Increase for tax positions taken in prior years	126
Decrease for tax positions taken in prior years	(1,676)
Increase for tax positions taken in current period	47
Decrease for statute expiration	(19)
Balance at September 27, 2016	\$1,476

Our uncertain tax positions are related to tax years that remain subject to examination by tax agencies. As of September 27, 2016, the earliest tax year still subject to examination by the Internal Revenue Service is 2013. The earliest year still subject to examination by a significant state or local taxing jurisdiction is 2011.

7. LEGAL PROCEEDINGS

We are subject to lawsuits, administrative proceedings and demands that arise in the ordinary course of our business and which typically involve claims from customers, employees and others related to operational, employment, real estate and intellectual property issues common to the foodservice industry. A number of these claims may exist at any given time. We are self-insured for a portion of our general liability and our employee workers' compensation requirements. We maintain coverage with a third party insurer to limit our total exposure. We believe that most of our customer claims will be covered by our general liability insurance, subject to coverage limits and the portion of such claims that are self-insured. Punitive damages awards and employee unfair practice claims, however, are not covered

by our general liability insurance. To date, we have not been ordered to pay punitive damages with respect to any claims, but there can be no assurance that punitive damages will not be awarded with respect to any future claims. We could be affected by adverse publicity resulting from allegations in lawsuits, claims and proceedings, regardless of whether these allegations are valid or whether we are ultimately determined to be liable. We currently believe that the final disposition of these types of lawsuits, proceedings and claims will not have a material adverse effect on our financial position, results of operations or liquidity. It is possible, however, that our future results of operations for a particular quarter or fiscal year could be impacted by changes in circumstances relating to lawsuits, proceedings or claims.

Table of Contents

8. STOCK REPURCHASES

During the thirty-nine weeks ended September 27, 2016, we repurchased and retired approximately 1.2 million shares of our common stock at an average price of \$40.33 per share for a total of \$47.4 million, which is recorded as a reduction in common stock, with any excess charged to retained earnings. As of September 27, 2016, approximately \$107.1 million remains available for additional repurchases under our \$350 million authorized share repurchase program.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

STATEMENT REGARDING FORWARD-LOOKING DISCLOSURE

Certain information included in this Form 10-Q and other filings with the Securities and Exchange Commission, in our press releases, in other written communications, and in oral statements made by or with the approval of one of our authorized officers may contain forward-looking statements about our current and expected performance trends, growth plans, business goals and other matters. Words or phrases such as believe, plan, will likely result, expect, intend, will continue, is anticipated, estimate, project, may, could, would, should, and similar expressions are used to identify forward-looking statements. These statements, and any other statements that are not historical facts, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as codified in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended from time to time (the Act). The cautionary statements made in this Form 10-Q should be read as being applicable to all related forward-looking statements wherever they appear in this Form 10-Q.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere in this Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 29, 2015. Except for the historical information contained herein, the discussion in this Form 10-Q contains certain forward-looking statements that involve known and unknown risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. The risks described in this Form 10-Q, as well as the risks identified in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 29, 2015, are not the only risks we face. These statements reflect our current perspectives and outlook with respect to the Company's future expansion plans, key business initiatives, expected operating conditions and other factors. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. Additional risks and uncertainties that we are currently unaware of, or that we currently deem immaterial, also may become important factors that affect us. It is not possible for us to predict the impact of all of these factors on our business, financial condition or results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given the volatility of the operating environment and its associated risks and uncertainties, investors should not rely on forward-looking statements as any prediction or guarantee of actual results.

Forward-looking statements include, among others, statements concerning:

- our restaurant concept, its competitive advantages and our strategies for its continued evolution and expansion;
- the rate and scope of our planned future restaurant development;
- the estimated total domestic capacity for our restaurants;
- anticipated dates on which we will commence or complete the development and opening of new restaurants;

Edgar Filing: BJs RESTAURANTS INC - Form 10-Q

expectations for consumer spending on casual dining restaurant occasions;
the availability and cost of key commodities used in our restaurants and brewing operations;
planned menu price increases and their effect, if any, on revenue and results of operations;
the projected effectiveness of our planned operational, menu, marketing and capital expenditure initiatives;
expected capital requirements and actual or available borrowings on our line of credit;
projected revenues, operating costs and expenses; and
other statements of expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts.

Table of Contents

These forward-looking statements are subject to risks and uncertainties, including financial, regulatory, consumer behavior, demographic, industry growth and trend projections, that could cause actual events or results to differ materially from those expressed or implied by the statements. Some, but not all, significant factors that could prevent us from achieving our stated goals include, but are not limited to:

Failure to maintain a favorable image, credibility and the value of the BJ's brand and our reputation for offering customers a higher quality more differentiated total dining experience at a good value could adversely affect our business.

Our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media could adversely impact our business.

Any deterioration in general economic conditions may affect consumer spending and may adversely affect our revenues, operating results and liquidity.

Any deterioration in general economic conditions could also have a material adverse impact on our landlords or on businesses neighboring our locations, which could adversely affect our revenues and results of operations.

If we do not successfully expand our restaurant operations, our growth rate and results of operations would be adversely affected.

Our ability to open new restaurants on schedule in accordance with our targeted capacity growth rate may be adversely affected by delays or problems associated with securing suitable restaurant locations, leases and licenses, recruiting and training qualified managers and hourly employees and by other factors, some of which are beyond our control and difficult to forecast accurately.

Access to sources of capital and our ability to raise capital in the future may be limited, which could adversely affect our business and our expansion plans.

Any failure of our existing or new restaurants to achieve expected results could have a negative impact on our consolidated revenues and financial results, including a potential impairment of the long-lived assets of certain restaurants.

Our growth may strain our infrastructure and resources, which could slow our development of new restaurants and adversely affect our ability to manage our existing restaurants.

Any decision to either reduce or accelerate the pace of openings may positively or adversely affect our comparative financial performance.

Our costs to construct new restaurants are susceptible to both material and labor cost fluctuations which could adversely affect our return on investment results for new restaurants.

Our future operating results may fluctuate significantly due to the expenses required opening new restaurants.

A significant number of our restaurants are concentrated in California, Texas and Florida, which makes us particularly sensitive to economic, regulatory, weather and other risk factors and conditions that are more prevalent in those states.

Our operations are susceptible to changes in our food, labor and related employee benefits (including, but not limited to, group health insurance coverage for our employees), brewing and energy supplies which could adversely affect our profitability.

Negative publicity about us, our restaurants, other restaurants, or others across the food supply chain, due to food borne illness or other reasons, whether or not accurate, could adversely affect the reputation and popularity of our restaurants and our results of operations.

Our dependence on independent third party brewers and manufacturers for some of our beer could have an adverse effect on our operations if they cease to supply us with our proprietary craft beer.

Our internal brewing, independent third party brewing and beer distribution arrangements are subject to periodic reviews and audits by various federal, state and local governmental and regulatory agencies and could be adversely affected by different interpretations of the laws and regulations that govern such arrangements or by new laws and regulations.

Government laws and regulations affecting the operation of our restaurants, including but not limited to those that apply to the acquisition and maintenance of our brewing and retail liquor licenses, minimum wages, federal or state exemption rules, consumer health and safety, health insurance coverage, or other employment benefits such as paid time off, nutritional disclosures, and employment eligibility-related documentation requirements could increase our operating costs, cause unexpected disruptions to our operations and restrict our growth.

We are heavily dependent on information technology in our operations as well as with respect to our customer loyalty and employee engagement programs. Any material failure of such technology, including but not limited to cyber-attacks, could adversely affect our revenues and impair our ability to efficiently operate our business.

Table of Contents

Unsolicited takeover proposals, governance change proposals, proxy contests and certain proposals/actions by activist investors may create additional risks and uncertainties with respect to the Company's financial position, operations, strategies and management, and may adversely affect our ability to attract and retain key employees. Any perceived uncertainties as to our future direction also could affect the market price and volatility of our securities.

Any failure to complete stock repurchases under our previously announced repurchase program may negatively impact investor perceptions of us and could therefore affect the market price and volatility of our stock.

For a more detailed description of these risk factors and other considerations, see Part II, Item 1A Risk Factors of this Form 10-Q and the risk factors identified in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 29, 2015.

GENERAL

As of October 31, 2016, we owned and operated 186 restaurants located in the 24 states of Alabama, Arizona, Arkansas, California, Colorado, Florida, Indiana, Kansas, Kentucky, Louisiana, Maryland, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Tennessee, Texas, Virginia and Washington. Each of our restaurants is operated either as a BJ's Restaurant & Brewhouse®, a BJ's Restaurant & Brewery®, a BJ's Pizza & Grill®, or a BJ's Grill® restaurant. Currently, the BJ's Restaurant & Brewhouse® format represents our primary future expansion vehicle. Our proprietary craft beer is produced at several of our BJ's Restaurant & Brewery® locations, our Temple, Texas brewpub location and by independent third party brewers using our proprietary recipes. Our BJ's Pizza & Grill® restaurants are smaller format, full-service restaurants relative to our BJ's Restaurant & Brewhouse® and BJ's Restaurant & Brewery® locations and reflect the original format of the BJ's restaurant concept that was first introduced in 1978. Our BJ's Grill® restaurant is a slightly smaller footprint restaurant, compared to our BJ's Restaurant & Brewhouse® format, featuring all the amenities of our Brewhouse locations. Our menu features BJ's award-winning, signature deep-dish pizza, our proprietary craft and other beers, as well as a wide selection of appetizers, entrées, pastas, sandwiches, specialty salads and desserts, including our Pizookie® dessert.

Our revenues are comprised of food and beverage sales at our restaurants. Revenues from restaurant sales are recognized when payment is tendered at the point of sale. Amounts paid with a credit card are recorded in accounts and other receivables until payment is collected. Revenues from our gift cards are recognized upon redemption in our restaurants. Gift card breakage is recognized as a component of Other income, net on our Consolidated Statements of Income. Gift card breakage is recorded when the likelihood of the redemption of the gift cards becomes remote, which is typically after 24 months from the original gift card issuance date.

In calculating comparable company-owned restaurant sales, we include a restaurant in the comparable base once it has been open for 18 months. Customer traffic for our restaurants is estimated based on individual customer checks.

Cost of sales is comprised of food and beverage costs, including the cost to produce and distribute our proprietary craft beer, soda and ciders. The components of cost of sales are variable and typically fluctuate directly with sales volumes, but may be impacted by changes in commodity prices or promotional activities.

Labor and benefit costs include direct hourly and management wages, bonuses and payroll taxes and fringe benefits for restaurant employees, including stock-based compensation and workers' compensation expense that is directly related to restaurant level employees.

Occupancy and operating expenses include restaurant supplies, credit card fees, marketing costs, fixed rent, percentage rent, common area maintenance charges, utilities, real estate taxes, repairs and maintenance and other related restaurant costs.

General and administrative costs include all corporate, field supervision and administrative functions that support existing operations and provide infrastructure to facilitate our future growth. Components of this category include corporate management, field supervision and corporate hourly staff salaries and related employee benefits (including stock-based compensation expense and cash-based incentive compensation), travel and relocation costs, information systems, the cost to recruit and train new restaurant management employees, corporate rent, certain brand marketing-related expenses and legal, professional and consulting fees.

Table of Contents

Depreciation and amortization are composed primarily of depreciation on capital expenditures for restaurant and brewing equipment and leasehold improvements.

Restaurant opening expenses, which are expensed as incurred, consist of the costs of hiring and training the initial hourly work force for each new restaurant, travel, the cost of food and supplies used in training, grand opening promotional costs, the cost of the initial stock of operating supplies and other direct costs related to the opening of a restaurant, including rent during the construction and in-restaurant training period.

While we currently expect to pursue the renewal of substantially all of our expiring restaurant leases, there is no guarantee that we can mutually agree to a new lease that is satisfactory to our landlord and us or that, if renewed, rents will not increase substantially.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, our unaudited Consolidated Statements of Income expressed as percentages of total revenues. The results of operations for the thirteen weeks and thirty-nine weeks ended September 27, 2016 and September 29, 2015, are not necessarily indicative of the results to be expected for the full fiscal year. Percentages below may not reconcile due to rounding.

	For The Thirteen Weeks Ended		For The Thirty-Nine Weeks Ended	
	September 27, 2016	September 29, 2015	September 27, 2016	September 29, 2015
Revenues	100.0%	100.0%	100.0%	100.0%
Costs and expenses:				
Cost of sales	25.6	24.5	25.2	24.7
Labor and benefits	35.1	34.4	34.8	34.6
Occupancy and operating	21.6	21.3	20.6	20.9
General and administrative	5.5	5.9	5.6	5.9
Depreciation and amortization	7.0	6.6	6.6	6.4
Restaurant opening	0.9	1.0	0.7	0.8
Loss on disposal and impairment of assets	0.3	0.3	0.3	0.2
Gain on lease termination, net		(1.3)		(0.4)
Legal and other settlements			0.1	
Total costs and expenses	96.1	92.8	93.8	93.1
Income from operations	3.9	7.2	6.2	6.9
Other expense:				
Interest expense, net	(0.1)	(0.1)	(0.2)	(0.1)
Other income (expense), net	0.2	(0.1)	0.1	
Total other expense		(0.2)		(0.1)
Income before income taxes	3.9	7.0	6.2	6.8

Income tax expense	0.8	1.6	1.7	1.8
Net income	3.1%	5.4%	4.5%	5.0%

Thirteen Weeks Ended September 27, 2016 Compared to Thirteen Weeks Ended September 29, 2015.

Revenues. Total revenues increased by \$4.3 million, or 1.9%, to \$233.7 million during the thirteen weeks ended September 27, 2016, from \$229.4 million during the comparable thirteen week period of 2015. The increase in revenues primarily consisted of an approximate \$13.3 million increase in sales from new restaurants not yet in our comparable restaurant sales base, partially offset by an approximate 3.4%, or \$7.3 million decrease in comparable restaurant sales and a \$1.7 million decrease in restaurant sales due to the closure of our La Jolla, California restaurant in August 2015 and our Century City, California restaurant in January 2016. The decrease in comparable restaurant sales resulted from a reduction in customer traffic of approximately 4.2%, partially offset by an increase in the average check of 0.8%.

Table of Contents

Cost of Sales. Cost of sales increased by \$3.7 million, or 6.6%, to \$59.9 million during the thirteen weeks ended September 27, 2016, from \$56.2 million during the comparable thirteen week period of 2015. This increase was primarily due to the opening of 15 new restaurants since the thirteen weeks ended September 29, 2015. As a percentage of revenues, cost of sales increased to 25.6% for the current thirteen week period from 24.5% for the prior year comparable period. The increase in cost of sales, as a percentage of revenues, was primarily due to our decision to no longer allocate the costs of certain promotional activities to occupancy and operating expenses, coupled with a slight increase in commodity costs as well as increased promotional activities and menu mix shifts.

Labor and Benefits. Labor and benefit costs for our restaurants increased by \$3.1 million, or 3.9%, to \$82.0 million during the thirteen weeks ended September 27, 2016, from \$79.0 million during the comparable thirteen week period of 2015. This increase was primarily due to the opening of 15 new restaurants since the thirteen weeks ended September 29, 2015. As a percentage of revenues, labor and benefit costs increased to 35.1% for the current thirteen week period from 34.4% for the prior year comparable period. The percentage increase was driven by higher hourly labor primarily related to minimum wage increases coupled with the deleveraging of fixed management labor and benefit costs as a result of negative comparable restaurant sales. Included in labor and benefits for the thirteen weeks ended September 27, 2016 and September 29, 2015, was approximately \$0.4 million, or 0.2% of revenues of stock-based compensation expense related to equity awards granted in accordance with our Gold Standard Stock Ownership Program for certain restaurant management team members.

Occupancy and Operating. Occupancy and operating expenses increased by \$1.5 million, or 3.1%, to \$50.5 million during the thirteen weeks ended September 27, 2016, from \$49.0 million during the comparable thirteen week period of 2015. This increase was primarily due to the opening of 15 new restaurants since the thirteen weeks ended September 29, 2015. As a percentage of revenues, occupancy and operating expenses increased to 21.6% for the current thirteen week period from 21.3% for the prior year comparable period. This percentage increase was due to the deleveraging of the fixed component of these expenses as a result of negative comparable restaurant sales, offset by the change in the allocation of food costs related to certain promotional activities. Beginning in fiscal 2016, we no longer allocate these food costs to occupancy and operating expenses.

General and Administrative. General and administrative expenses decreased by \$0.7 million, or 5.1%, to \$12.9 million during the thirteen weeks ended September 27, 2016, from \$13.6 million during the comparable thirteen week period of 2015. The decrease in general and administrative costs was primarily due to lower corporate incentive compensation of approximately \$1.0 million, offset by higher field supervision and support costs to manage our increasing number of restaurants. Also included in general and administrative costs for the thirteen weeks ended September 27, 2016 and September 29, 2015, was approximately \$1.1 million and \$1.0 million, or 0.5% and 0.4% of revenues, respectively, of stock-based compensation expense. As a percentage of revenues, general and administrative expenses decreased to 5.5% for the current thirteen week period from 5.9% for the prior year comparable period. This percentage decrease was primarily due to lower costs over a higher revenue base.

Depreciation and Amortization. Depreciation and amortization increased by \$1.2 million, or 7.9%, to \$16.3 million during the thirteen weeks ended September 27, 2016, compared to \$15.1 million during the comparable thirteen week period of 2015. This increase was primarily due to depreciation expense related to the 15 new restaurants opened since the thirteen weeks ended September 29, 2015. As a percentage of revenues, depreciation and amortization increased to 7.0% for the current thirteen week period from 6.6% for the prior year comparable period. This increase is primarily due to the deleveraging of the fixed component of these expenses as a result of negative comparable restaurant sales.

Restaurant Opening. Restaurant opening expense was \$2.2 million during the thirteen weeks ended September 27, 2016, compared to \$2.3 million during the comparable thirteen week period of 2015. This decrease is due to the opening of five new restaurants during the thirteen weeks ended September 27, 2016, compared to six new restaurants

during the comparable thirteen week period of 2015.

Loss on Disposal and Impairment of Assets. The loss on disposal and impairment of assets was \$0.8 million during the thirteen weeks ended September 27, 2016, compared to \$0.7 million during the comparable thirteen week period of 2015. These costs primarily related to the disposal of certain unproductive restaurant assets.

Table of Contents

Gain on Lease Termination, Net. Gain on lease termination, net was \$2.9 million during the thirteen weeks ended September 29, 2015 and related to the closure of our Century City, California restaurant. Our Century City restaurant was located at The Westfield Century City Mall, which was being significantly reconfigured and renovated, requiring the restaurant to be closed by the end of January 2016. As a result of the forced lease termination, we received a termination fee from the landlord that resulted in this net gain.

Income Tax Expense. Our effective income tax rate for the thirteen weeks ended September 27, 2016, was 20.5% compared to 23.0% for the comparable thirteen week period of 2015. The effective income tax rate for the thirteen weeks ended September 27, 2016, differed from the statutory income tax rate primarily due to tax credits.

Thirty-nine Weeks Ended September 27, 2016 Compared to Thirty-nine Weeks Ended September 29, 2015.

Revenues. Total revenues increased by \$40.9 million, or 6.0%, to \$727.4 million during the thirty-nine weeks ended September 27, 2016, from \$686.5 million during the comparable thirty-nine week period of 2015. The increase in revenues primarily consisted of an approximate \$52.7 million increase in sales from new restaurants not yet in our comparable restaurant sales base, partially offset by an approximate 1.0%, or \$6.5 million decrease in comparable restaurant sales and a \$5.3 million decrease in restaurant sales due to the closure of our La Jolla, California restaurant in August 2015 and our Century City, California restaurant in January 2016. The decrease in comparable restaurant sales resulted from a reduction in customer traffic of approximately 2.5%, partially offset by an increase in the average check, menu mix and incident rates of approximately 1.5%.

Cost of Sales. Cost of sales increased by \$13.7 million, or 8.1%, to \$183.1 million during the thirty-nine weeks ended September 27, 2016, from \$169.4 million during the comparable thirty-nine week period of 2015. This increase was primarily due to the opening of 15 new restaurants since the thirty-nine weeks ended September 29, 2015. As a percentage of revenues, cost of sales increased to 25.2% for the current thirty-nine week period from 24.7% for the prior year comparable period. Substantially all of the increase in cost of sales, as a percentage of revenues, resulted from our decision to no longer allocate the costs of certain promotional activities to occupancy and operating expenses.

Labor and Benefits. Labor and benefit costs for our restaurants increased by \$15.4 million, or 6.5%, to \$252.8 million during the thirty-nine weeks ended September 27, 2016, from \$237.4 million during the comparable thirty-nine week period of 2015. This increase was primarily due to the opening of 15 new restaurants since the thirty-nine weeks ended September 29, 2015. As a percentage of revenues, labor and benefit costs increased to 34.8% for the current thirty-nine week period from 34.6% for the prior year comparable period. The percentage increase was driven by higher hourly labor primarily related to minimum wage increases coupled with the deleveraging of fixed management labor and benefit costs as a result of negative comparable restaurant sales. Included in labor and benefits for the thirty-nine weeks ended September 27, 2016 and September 29, 2015, was approximately \$1.3 million and \$1.0 million, or 0.2% and 0.1% of revenues, respectively, of stock-based compensation expense related to equity awards granted in accordance with our Gold Standard Stock Ownership Program for certain restaurant management team members.

Occupancy and Operating. Occupancy and operating expenses increased by \$6.5 million, or 4.5%, to \$149.7 million during the thirty-nine weeks ended September 27, 2016, from \$143.2 million during the comparable thirty-nine week period of 2015. This increase was primarily due to the opening of 15 new restaurants since the thirty-nine weeks ended September 29, 2015. As a percentage of revenues, occupancy and operating expenses decreased to 20.6% for the current thirty-nine week period from 20.9% for the prior year comparable period. This percentage decrease was due to the change in the allocation of food costs related to certain promotional activities. Beginning in fiscal 2016, we no longer allocate these food costs to occupancy and operating expenses.

General and Administrative. General and administrative expenses increased by \$0.4 million, or 0.9%, to \$41.1 million during the thirty-nine weeks ended September 27, 2016, from \$40.7 million during the comparable thirty-nine week period of 2015. The increase in general and administrative costs was primarily due to higher field supervision and support costs to manage our increasing number of restaurants offset by lower corporate incentive compensation of approximately \$1.4 million. Also included in general and administrative costs for the thirty-nine weeks ended September 27, 2016 and September 29, 2015, was approximately \$3.3 million and \$3.0 million, respectively, or 0.4% of revenues, of stock-based compensation expense. As a percentage of revenues, general and administrative expenses decreased to 5.6% for the current thirty-nine week period from 5.9% for the prior year comparable period. This percentage decrease was primarily due to our ability to leverage the fixed component of these expenses over a higher revenue base from new restaurants.

Table of Contents

Depreciation and Amortization. Depreciation and amortization increased by \$3.9 million, or 8.9%, to \$47.9 million during the thirty-nine weeks ended September 27, 2016, compared to \$44.0 million during the comparable thirty-nine week period of 2015. This increase was primarily due to depreciation expense related to the 15 new restaurants opened since the thirty-nine weeks ended September 29, 2015. As a percentage of revenues, depreciation and amortization increased to 6.6% for the current thirty-nine week period from 6.4% for the prior year comparable period. This increase is primarily due to the deleveraging of the fixed component of these expenses as a result of negative comparable restaurant sales.

Restaurant Opening. Restaurant opening expense was \$5.2 million during the thirty-nine weeks ended September 27, 2016, compared to \$5.7 million during the comparable thirty-nine week period of 2015. This decrease is due to the opening of 12 new restaurants during the thirty-nine weeks ended September 27, 2016, compared to 13 new restaurants during the comparable thirteen week period of 2015.

Loss on Disposal and Impairment of Assets. The loss on disposal and impairment of assets was \$2.3 million during the thirty-nine weeks ended September 27, 2016, compared to \$1.7 million during the comparable thirty-nine week period of 2015. These costs primarily related to the disposal of certain unproductive restaurant assets.

Legal and Other Settlements. Legal and other settlement expense was approximately \$0.4 million or 0.1% of revenues, during the thirty-nine weeks ended September 27, 2016, related to the settlement of a wage and hour claim.

Gain on Lease Termination, Net. Gain on lease termination, net was \$2.9 million during the thirty-nine weeks ended September 29, 2015 and related to the closure of our Century City, California restaurant. Our Century City restaurant was located at The Westfield Century City Mall, which was being significantly reconfigured and renovated, requiring the restaurant to be closed by the end of January 2016. As a result of the forced lease termination, we received a termination fee from the landlord that resulted in this net gain.

Income Tax Expense. Our effective income tax rate for the thirty-nine weeks ended September 27, 2016, was 27.0% compared to 26.3% for the comparable thirty-nine week period of 2015. The effective income tax rate for the thirty-nine weeks ended September 27, 2016, differed from the statutory income tax rate primarily due to tax credits.

LIQUIDITY AND CAPITAL RESOURCES

The following tables set forth, for the periods indicated, a summary of our key liquidity measurements (dollar amounts in thousands):

	September 27, 2016	December 29, 2015
Cash and cash equivalents	\$25,948	\$34,604
Net working capital	\$(55,545)	\$(23,891)
Current ratio	0.6:1.0	0.8:1.0

	For The Thirty-Nine Weeks Ended	
	September 27, 2016	September 29, 2015
Cash provided by operating activities	\$108,631	\$99,632
Capital expenditures	\$80,682	\$63,088

Our capital requirements are driven by our restaurant expansion plans and restaurant enhancements and initiatives. We currently estimate the total domestic capacity for BJ's restaurants to be at least 425, given the size of our current

restaurant prototype and the current structure of the BJ's concept and menu. We expect to fund our growth plans from our ongoing operations, our cash balance on hand, proceeds from employee stock option exercises, tenant improvement allowances from our landlords and our \$200 million Credit Facility. However, depending on the expected level of new restaurant development, tenant improvement allowances that we receive from our landlords, other planned capital investments including ongoing maintenance capital expenditures, and results from our ongoing operations, we may not generate enough cash flow from operations to completely fund our plans. In addition, any significant increase in our share repurchase activity may impact our overall capital resources available. Accordingly, we continue to actively monitor overall conditions in the capital and credit markets with respect to the potential sources and the timing of additional financing for our planned future expansion. However, there can be no assurance that such financing will be available when required or available on terms acceptable to us. If we are unable to secure additional capital resources, we may be required to reduce our planned rate of expansion.

Table of Contents

Similar to many restaurant chains, we typically utilize operating lease arrangements (principally ground leases) for the majority of our restaurant locations. We believe our operating lease arrangements provide appropriate leverage for our capital structure in a financially efficient manner. However, we are not limited to the use of lease arrangements as our only method of opening new restaurants and from time to time have purchased the underlying land for new restaurants. While our operating lease obligations are not required to be reflected as indebtedness on our Consolidated Balance Sheets, the minimum rents and other related lease obligations, such as common area expenses, under our lease agreements must be satisfied by cash flows from our ongoing operations. Accordingly, our lease arrangements reduce, to some extent, our capacity to utilize debt in our capital structure.

We typically lease our restaurant locations for periods of 10 to 20 years under operating lease arrangements. Our rent structures vary from lease to lease, but generally provide for the payment of both minimum and contingent (percentage) rent based on sales, as well as other expenses related to the leases (for example, our pro-rata share of common area maintenance, property tax and insurance expenses). Many of our lease arrangements include the opportunity to secure tenant improvement allowances to partially offset the cost of developing and opening the related restaurants. Generally, landlords recover the cost of such allowances from increased minimum rents. However, there can be no assurance that such allowances will be available to us on each project. From time to time, we may also decide to purchase the underlying land for a new restaurant if that is the only way to secure a highly desirable site. Currently, we own the underlying land for four of our operating restaurants and our Texas brewpub locations. We also own two parcels of land adjacent to two of our operating restaurants. It is not our current strategy to own a large number of land parcels that underlie our restaurants. Therefore, in many cases we subsequently enter into sale-leaseback arrangements for land parcels that we may purchase. We disburse cash for certain site-related work, buildings, leasehold improvements, furnishings, fixtures and equipment to build our leased and owned premises. We own substantially all of the equipment, furniture and trade fixtures in our restaurants and currently plan to do so in the future.

We also require capital resources to evolve, maintain and increase the productive capacity of our existing base of restaurants and brewing operations and to further expand and strengthen the capabilities of our corporate and information technology infrastructures. Our requirement for working capital is not significant since our restaurant customers pay for their food and beverage purchases in cash or credit cards at the time of the sale. Thus, we are able to sell many of our inventory items before we have to pay our suppliers for such items.

Our cash flows from operating activities, as detailed in the Consolidated Statements of Cash Flows, provided \$108.6 million during the thirty-nine weeks ended September 27, 2016, representing a \$9.0 million increase from the \$99.6 million provided by during the thirty-nine weeks ended September 29, 2015. The increase in cash from operating activities for the thirty-nine weeks ended September 27, 2016, in comparison to the thirty-nine weeks ended September 29, 2015, is primarily due to the timing of accounts receivable and greater depreciation and amortization, offset by the timing of accrued expenses and deferred lease incentives.

For the thirty-nine weeks ended September 27, 2016, total capital expenditures were approximately \$80.7 million, of which expenditures for the purchase of the underlying land for new restaurants as well as the acquisition of restaurant and brewing equipment and leasehold improvements to construct new restaurants were \$63.8 million. These expenditures were primarily related to the construction of our 12 new restaurants that opened during the thirty-nine weeks ended September 27, 2016, as well as expenditures related to restaurants expected to open later in fiscal 2016 and early 2017. In addition, during the thirty-nine weeks ended September 27, 2016, total capital expenditures related to the maintenance and key productivity initiatives of existing restaurants and expenditures for restaurant and corporate systems were \$16.3 million and \$0.6 million, respectively.

We have a \$200 million unsecured revolving line of credit that expires on September 3, 2019, and may be used for working capital and other general corporate purposes. We utilize the Credit Facility principally for letters of credit that are required to support certain of our self-insurance programs, to fund a portion of the Company's announced stock repurchase program and for working capital and construction requirements as needed. See Note 2 of Notes to Unaudited Consolidated Financial Statements in Part I, Item 1 of this report for a summary of our Credit Facility terms.

Table of Contents

Our capital expenditures during fiscal 2016 have been significant as we have opened 16 new restaurants as of October 31, 2016, and we have one additional restaurant, with a signed lease, under construction that we expect to open before year end. We expect to open 10 to 15 new restaurants in fiscal 2017 and we have entered into signed leases, land purchase agreements or letters of intent for all of our potential restaurant locations. The reduction of restaurant openings in fiscal 2017 will reduce capital expenditures as compared to fiscal 2016, which will generate increased free cash flow and provide additional flexibility.

We currently anticipate our total capital expenditures for fiscal 2017, including all expenditure categories, to be approximately \$80 million to \$90 million. We expect to fund our anticipated capital expenditures for the remainder of fiscal 2016 and fiscal 2017 with our current cash balance on hand, expected cash flows from operations, proceeds from sale-leaseback transactions, expected tenant improvement allowances and our line of credit. Our future cash requirements will depend on many factors, including the pace of our expansion, conditions in the retail property development market, construction costs, the nature of the specific sites selected for new restaurants, and the nature of the specific leases and associated tenant improvement allowances available, if any, as negotiated with landlords.

From time to time, we will evaluate opportunities to acquire and convert other restaurant locations or entire restaurant chains to the BJ's restaurant concept. In the future we may consider joint venture arrangements to augment BJ's expansion into new markets or we may evaluate non-controlling investments in other emerging restaurant concepts that offer complementary growth opportunities to our BJ's restaurant operations. Currently, we have no binding commitments (other than the signed leases or land purchase agreements set forth in Item 1 - Business - Restaurant Site Selection and Expansion Objectives in our Annual Report on Form 10-K for the fiscal year ended December 29, 2015) or agreements to acquire or convert any other restaurant locations or chains to our concept, or to enter into any joint ventures or non-controlling investments. However, we would likely require additional capital resources to take advantage of any of these growth opportunities should they become feasible.

We depend on our expected cash flows from operations, coupled with agreed-upon landlord tenant improvement allowances and sale-leaseback proceeds, to fund the majority of our planned capital expenditures. If our business does not generate enough cash flows from operations as expected, or if our landlords are unable to honor their agreements with us, or if we are unable to successfully enter in a sale-leaseback transaction and replacement funding sources are not otherwise available to us from borrowings under our Credit Facility or other alternatives, we may not be able to expand our operations at the pace currently planned.

We have not paid any dividends since our inception and we have no plans to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend upon our financial condition, operating results and other factors our Board of Directors deem relevant. Our Credit Facility contains, and debt instruments that we enter into in the future may contain, covenants that place limitations on the amount of dividends we may pay.

As of September 27, 2016, we have cumulatively repurchased approximately \$242.9 million shares in accordance with our approved share repurchase plan. Approximately \$47.4 million of these shares were repurchased during the thirty-nine weeks ended September 27, 2016. The share repurchases were executed through open market purchases, and future share repurchases may be completed through the combination of individually negotiated transactions, accelerated share buyback, and/or open market purchases. As of September 27, 2016, we have approximately \$107.1 million available under our current \$350 million share repurchase plan approved by our Board of Directors. Our Credit Facility does not contain any restrictions on the amount of borrowings that can be used to make share repurchases as long as we are in compliance with our financial and non-financial covenants.

OFF-BALANCE SHEET ARRANGEMENTS

We do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities (VIEs), which would have been established for the purpose of facilitating off-balance sheet arrangements or other limited purposes. As of September 27, 2016, we are not involved in any off-balance sheet arrangements.

Table of Contents

IMPACT OF INFLATION

Inflation on food, labor, energy and occupancy costs can significantly affect the profitability of our restaurant operations. Our profitability is dependent, among other things, on our ability to anticipate and react to changes in the costs of key operating resources, including food and other raw materials, labor, energy and other supplies and services. Substantial increases in costs and expenses could impact our operating results to the extent that such increases cannot be passed along to our restaurant customers. While we have taken steps to enter into 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 or other market conditions outside of our control. We are currently unable to contract for certain commodities, such as fluid dairy, fresh seafood and most fresh produce items, for long periods of time. Consequently, such commodities can be subject to unforeseen supply and cost fluctuations.

Many of our restaurant employees are paid hourly rates subject to the federal, state or local minimum wage requirements. Numerous state and local governments have their own minimum wage requirements that are generally greater than the federal minimum wage and are subject to annual increases based on changes in their local consumer price indices. Additionally, a general shortage in the availability of qualified restaurant management and hourly workers in certain geographic areas in which we operate has caused increases in the costs of recruiting and compensating such employees. Certain operating and other costs including health benefits, the impact of the Patient Protection and Affordable Care Act, taxes, insurance, federal or state exemption rules, and regulatory requirements relating to employees and other outside services continue to increase with the general level of inflation and may also be subject to other cost and supply fluctuations outside of our control.

While we have been able to partially offset inflation and other changes in the costs of key operating resources by gradually increasing prices of our menu items, coupled with more efficient purchasing practices, productivity improvements and greater economies of scale, there can be no assurance that we will be able to continue to do so in the future. From time to time, competitive conditions will limit our menu pricing flexibility. In addition, macroeconomic conditions that impact consumer discretionary spending for food away from home could make additional menu price increases imprudent. There can be no assurance that all of our future cost increases can be offset by higher menu prices or that higher menu prices will be accepted by our restaurant customers without any resulting changes in their visit frequencies or purchasing patterns. Many of the leases for our restaurants provide for contingent rent obligations based on a percentage of sales. As a result, rent expense will absorb a proportionate share of any menu price increases in our restaurants. There can be no assurance that we will continue to generate increases in comparable restaurant sales in amounts sufficient to offset inflationary or other cost pressures.

SEASONALITY AND ADVERSE WEATHER

Our business is subject to seasonal fluctuations. Additionally, our restaurants in the Midwest and Eastern states, including Florida, are impacted by weather and other seasonal factors that typically impact other restaurant operations in those regions. Holidays (and shifts in the holiday calendar), severe weather, hurricanes, tornados, thunderstorms and similar conditions may impact restaurant sales volumes seasonally in some of the markets where we operate. Many of our restaurants are located in or near shopping centers and malls that typically experience seasonal fluctuations in sales. Quarterly results have been and will continue to be significantly impacted by the timing of new restaurant openings and their associated restaurant opening expenses. 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.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion of market risks contains forward-looking statements. Actual results may differ materially from the following discussion based on general conditions in the financial and commodity markets.

Interest Rate Risk

We have a \$200 million unsecured Credit Facility that carries interest at a floating rate. We utilize the Credit Facility principally for letters of credit that are required to support our self-insurance programs, to fund a portion of our share repurchase program and for working capital and construction requirements, as needed. We are exposed to interest rate risk through fluctuations in interest rates on our obligations under the Credit Facility. We do not believe that a hypothetical 1% adverse change in the interest rates under our Credit Facility would have a material adverse impact on our results of operation or financial condition.

Table of Contents

Food and Commodity Price Risks

We purchase food and other commodities for use in our operations based upon market prices established with our suppliers. Many of the commodities purchased by us can be subject to volatility due to market supply and demand and other factors outside of our control, whether contracted for or not. To manage this risk in part, we attempt to enter into fixed-price purchase commitments, with terms typically up to one year, for some of our commodity requirements. However, it may not be possible for us to enter into fixed-price contracts for certain commodities or we may choose not to enter into fixed-price contracts for certain commodities. Dairy costs can also fluctuate due to government regulation. We believe that substantially all of our food and supplies are available from several sources, which helps to diversify our overall commodity cost risk. We also believe that we have some flexibility and ability to increase certain menu prices, or vary certain menu items offered or promoted, in response to food commodity price increases. Some of our commodity purchase arrangements may contain contractual features that limit the price paid by establishing certain price floors or caps. We do not use financial instruments to hedge commodity prices, since our purchase arrangements with suppliers, to the extent that we can enter into such arrangements, help control the ultimate cost that we pay.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 promulgated under the Securities Exchange Act of 1934 as amended, as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 27, 2016, our disclosure controls and procedures are designed at a reasonable assurance level and are effectively operating to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has not been any change 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) during our third fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Note 7 of Notes to Unaudited Consolidated Financial Statements in Part I, Item 1 of this report for a summary of legal proceedings.

Item 1A. RISK FACTORS

A discussion of the significant risks associated with investments in our securities, as well as other matters, is set forth in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 29, 2015. A summary of these

risks and certain related information is included under Statement Regarding Forward-Looking Disclosure in Part I, Item 2 of this Form 10-Q and is incorporated herein by this reference. These cautionary statements are to be used as a reference in connection with any forward-looking statements. The factors, risks and uncertainties identified in these cautionary statements are in addition to those contained in any other cautionary statements, written or oral, which may be made or otherwise addressed in connection with a forward-looking statement or contained in any of our subsequent filings with the SEC. The risks described in this Form 10-Q and in our Annual Report on Form 10-K are not the only risks we face. New risks and uncertainties arise from time to time, and we cannot predict those events or how they may affect us. There may be other risks and uncertainties that are not currently known or that are currently deemed by us to be immaterial; however, they may ultimately adversely affect our business, financial condition and/or operating results.

Table of Contents**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

As of September 27, 2016, we have cumulatively repurchased approximately \$242.9 million shares in accordance with our approved share repurchase plan. Approximately \$47.4 million of these shares were repurchased during the thirty-nine weeks ended September 27, 2016. The share repurchases were executed through open market purchases, and future share repurchases may be completed through the combination of individually negotiated transactions, accelerated share buyback, and/or open market purchases. As of September 27, 2016, we have approximately \$107.1 million available under our current \$350 million share repurchase plan approved by our Board of Directors. Our Credit Facility does not contain any restrictions on the amount of borrowings that can be used to make share repurchases as long as we are in compliance with our financial and non-financial covenants.

The following table sets forth information with respect to the repurchase of common shares during the thirty-nine weeks ended September 27, 2016:

Period (1)		Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Plans	Increase in Dollars for Share Repurchase Authorization	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
12/30/15	01/26/16	452,584	\$42.02	452,584	\$	\$35,577,501
01/27/16	02/23/16	134,880	\$41.88	134,880	\$	\$29,920,906
02/24/16	03/29/16		\$		\$	\$29,920,906
03/30/16	04/26/16		\$		\$	\$29,920,906
04/27/16	05/24/16		\$		\$	\$29,920,906
05/25/16	06/28/16		\$		\$	\$29,920,906
06/29/16	07/26/16		\$		\$	\$29,920,906
07/27/16	08/23/16	90,715	\$40.25	90,715	\$100,000,000	\$126,275,914
08/24/16	09/27/16	496,655	\$38.98	496,655	\$	\$107,074,253
Total		1,174,834	\$40.33	1,174,834		

(1) Period information is presented in accordance with our fiscal months during the thirty-nine weeks ended September 27, 2016.

Item 6. EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of the Company, as amended, incorporated by reference to Exhibit 3.1 to the Registration Statement on Form SB-2 filed with the Securities and

Edgar Filing: BJ's RESTAURANTS INC - Form 10-Q

Exchange Commission on September 27, 1996, as amended by the Company's Registration Statement on Form SB-2/A filed with the Commission on August 1, 1996, and the Company's Registration Statement on Form SB-2A filed with the Commission on August 22, 1996, (File No. 3335182-LA) (as amended, the Registration Statement).

- 3.2 Amended and Restated Bylaws of the Company, incorporated by reference to Exhibits 3.1 of the Form 8-K filed on June 4, 2007.
- 3.3 Certificate of Amendment of Articles of Incorporation, incorporated by reference to Exhibit 3.3 of the Annual Report on Form 10-K for fiscal 2004.
- 3.4 Certificate of Amendment of Articles of Incorporation, incorporated by reference to Exhibit 3.4 of the Annual Report on Form 10-K for fiscal 2010.

Table of Contents

- 4.1 Specimen Common Stock Certificate of the Company, incorporated by reference to Exhibit 4.1 of the Registration Statement.
- 10.1 First Amendment to Amended and Restated Credit Agreement, dated August 24, 2016, between the Company and Bank of America, N.A. and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on August 26, 2016).
- 31 Section 302 Certification of Chief Executive Officer and Chief Financial Officer.
- 32 Section 906 Certification of Chief Executive Officer and Chief Financial Officer.
- 101 The following materials from BJ's Restaurants, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 27, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Unaudited Consolidated Statements of Income; (iii) Unaudited Consolidated Statements of Cash Flows; and (iv) Notes to Unaudited Consolidated Financial Statements.

Table of Contents

SIGNATURES

In accordance with 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.

BJ'S RESTAURANTS, INC.
(Registrant)

October 31, 2016

By: /s/ GREGORY A. TROJAN
Gregory A. Trojan
President and Chief Executive
Officer
(Principal Executive Officer)

By: /s/ GREGORY S. LEVIN
Gregory S. Levin
Executive Vice President,
Chief Financial Officer and
Secretary
(Principal Financial and Accounting Officer)