

BIGLARI HOLDINGS INC.
Form 10-Q
May 20, 2011

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

FORM 10-Q

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

For the quarterly period ended April 13, 2011

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 0-8445

BIGLARI HOLDINGS INC.
(Exact name of registrant as specified in its charter)

INDIANA
(State or other jurisdiction of incorporation)

37-0684070
(I.R.S. Employer Identification No.)

175 East Houston Street, Suite 1300
San Antonio, Texas
(Address of principal executive offices)

78205

(Zip code)

(210) 344-3400
(Registrant's telephone number, including area code)

Not Applicable
(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 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 the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer Non-accelerated filer 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 May 18, 2011 1,432,854 shares of the registrant's Common Stock, \$.50 stated value, were outstanding.

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Part I Financial Information
Item 1. Financial Statements
BIGLARI HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(amounts in \$000s, except share and per share data)

	April 13, 2011 (Unaudited)	September 29, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 69,214	\$ 47,563
Investments	21,127	32,523
Receivables, net of allowance of \$497 and \$475, respectively	11,081	5,818
Inventories	6,157	6,061
Deferred income taxes	5,340	3,802
Assets held for sale	7,816	9,611
Other current assets	3,588	4,453
Total current assets	124,323	109,831
Property and equipment, net	378,134	386,181
Goodwill	27,529	28,759
Other intangible assets, net	7,567	7,959
Other assets	6,647	7,612
Investments held by consolidated affiliated partnerships	17,825	23,497
Total assets	\$ 562,025	\$ 563,839
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Accounts payable	\$ 29,405	\$ 26,752
Due to broker	—	3,903
Accrued expenses	37,770	37,401
Revolving credit	13,044	18,000
Current portion of obligations under leases	4,686	4,556
Current portion of long-term debt	4,135	151
Total current liabilities	89,040	90,763
Deferred income taxes	13,208	10,309
Obligations under leases	119,805	124,247
Long-term debt	18,508	17,781
Other long-term liabilities	10,127	9,499
Total liabilities	250,688	252,599
Commitments and contingencies		
Redeemable noncontrolling interests of consolidated affiliated partnerships	52,821	62,245
Shareholders' equity		
Common stock – \$0.50 stated value, 2,500,000 shares authorized – 1,511,174 and 1,511,175 shares issued, 1,227,056 and 1,227,654 shares outstanding (net of treasury stock), respectively	756	756

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Additional paid-in capital	136,594	143,521
Retained earnings	210,933	195,825
Accumulated other comprehensive income (loss)	725	(1,152)
Treasury stock – at cost: 284,118 shares and 283,521 shares (includes 205,743 shares held by consolidated affiliated partnerships) at April 13, 2011 and September 29, 2010, respectively	(90,492)	(89,955)
Biglari Holdings Inc. shareholders' equity	258,516	248,995
Total liabilities and shareholders' equity	\$562,025	\$563,839

See accompanying Notes to Condensed Consolidated Financial Statements.

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BIGLARI HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Sixteen and Twenty-Eight Weeks Ended April 13, 2011 and April 14, 2010)
(amounts in \$000s, except share and per share data)

	Sixteen Weeks Ended		Twenty-Eight Weeks Ended	
	2011	2010	2011	2010
	(Unaudited)		(Unaudited)	
Net revenues				
Restaurant Operations:				
Net sales	\$207,896	\$197,257	\$360,955	\$345,181
Franchise fees	2,305	1,192	4,350	2,111
Other revenue	711	667	1,222	1,182
Total	210,912	199,116	366,527	348,474
Investment Management Operations:				
Management fee income	114	—	224	—
Consolidated Affiliated Partnerships:				
Investment gains/losses	259	—	2,946	—
Other income/loss	(8)	—	302	—
Total	365	—	3,472	—
Total net revenues	211,277	199,116	369,999	348,474
Costs and expenses				
Cost of sales	57,543	54,160	98,823	92,639
Restaurant operating costs	102,640	98,476	175,329	171,714
General and administrative	14,595	11,609	25,609	20,394
Depreciation and amortization	8,683	8,962	15,292	15,885
Marketing	10,780	9,882	19,731	17,609
Rent	5,124	4,988	9,020	8,696
Pre-opening costs	34	—	76	—
Asset impairments and provision for restaurant closings	(270)	(28)	13	143
Loss on disposal of assets	153	122	257	99
Other operating (income) expense	(57)	(408)	765	(471)
Total costs and expenses, net	199,225	187,763	344,915	326,708
Other income (expense)				
Interest, dividend and other investment income	118	154	153	229
Interest on obligations under leases	(3,261)	(3,477)	(5,710)	(5,953)
Interest expense	(867)	(197)	(1,432)	(343)
Realized investment gains/losses	366	522	3,244	834
Derivative gains/losses	32	—	207	—
Total other income (expense)	(3,612)	(2,998)	(3,538)	(5,233)
Earnings before income taxes	8,440	8,355	21,546	16,533
Income taxes	2,687	2,838	7,028	5,522

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Net earnings	5,753	5,517	14,518	11,011
Earnings/loss attributable to noncontrolling interest	—	7	—	(10)
Earnings/loss attributable to redeemable noncontrolling interests:				
Income allocation	(108)	—	(1,920)	—
Incentive fee reallocation	—	—	2,510	—
Total earnings/loss attributable to redeemable noncontrolling interests	(108)	—	590	—
Net earnings attributable to Biglari Holdings Inc.	\$5,645	\$5,524	\$15,108	\$11,001
Earnings per share attributable to Biglari Holdings Inc.				
Basic earnings per common and common equivalent share	\$4.25	\$3.87	\$11.38	\$7.70
Diluted earnings per common and common equivalent share	\$4.23	\$3.84	\$11.31	\$7.66
Weighted average shares and equivalents				
Basic	1,327,685	1,428,699	1,327,480	1,427,835
Diluted	1,334,653	1,437,806	1,335,878	1,436,746

See accompanying Notes to Condensed Consolidated Financial Statements.

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BIGLARI HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Twenty-Eight Weeks Ended April 13, 2011 and April 14, 2010)

(amounts in \$000s)

	Twenty-Eight Weeks Ended	
	2011	2010
	(Unaudited)	
Operating activities		
Net earnings	\$ 14,518	\$ 11,011
Adjustments to reconcile net earnings to operating cash flows (excluding investment operations of consolidated affiliated partnerships):		
Depreciation and amortization	15,292	15,885
Provision for deferred income taxes	1,314	1,519
Asset impairments and provision for restaurant closings	13	143
Stock-based compensation and other non-cash expenses	572	900
Loss on disposal of assets	257	99
Realized investment (gains)	(3,244)	(834)
Derivative gains/losses	(207)	—
Changes in receivables and inventories	(5,161)	(3,152)
Changes in other assets	1,261	(126)
Changes in accounts payable and accrued expenses	2,679	5,650
Investment operations of consolidated affiliated partnerships:		
Purchases of investments	(28,057)	—
Sales of investments	37,752	—
Realized investment (gains), net	(2,567)	—
Unrealized gains on marketable securities held by consolidated affiliated partnerships	(379)	—
Changes in cash equivalents held by consolidated affiliated partnerships	(1,858)	—
Net cash provided by operating activities	32,185	31,095
Investing activities		
Additions of property and equipment	(7,556)	(4,648)
Proceeds from property and equipment disposals	1,988	711
Purchases of investments	(25,841)	(9,532)
Sales of investments	44,422	9,169
Changes in due to/from broker	(3,903)	—
Cash from merger activities	—	1,208
Net cash provided by (used in) investing activities	9,110	(3,092)
Financing activities		
Proceeds from revolving credit facility	144,325	—
Payments on revolving credit facility	(149,281)	(1,000)
Borrowings on long-term debt	20,000	—
Principal payments on long-term debt	(15,289)	(8)
Principal payments on direct financing lease obligations	(4,301)	(2,253)
Proceeds and tax benefits from exercise of stock options and employees stock purchase plan	477	210
Cash paid in lieu of fractional shares	—	(711)
Repurchase of employee shares for tax withholding	(494)	(199)

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Distributions to noncontrolling interest	—	(221)
Financing activities of consolidated affiliated partnerships:		
Contributions from noncontrolling interests	691	—
Distributions to noncontrolling interests	(15,772)	—
Net cash used in financing activities	(19,644)	(4,182)
Increase in cash and cash equivalents	21,651	23,821
Cash and cash equivalents at beginning of period	47,563	51,395
Cash and cash equivalents at end of period	\$69,214	\$75,216

See accompanying Notes to Condensed Consolidated Financial Statements.

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BIGLARI HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Twenty-Eight Weeks Ended April 13, 2011 and April 14, 2010)

(amounts in \$000s)

(Unaudited)	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at September 29, 2010	\$ 756	\$ 143,521	\$ 195,825	\$ (1,152)	\$ (89,955)	\$ 248,995
Net earnings attributable to Biglari Holdings Inc.			15,108			15,108
Reclassification of investment appreciation in net earnings, net of \$821 tax				1,285		1,285
Net change in unrealized gains and losses on investments, net of \$379 tax				592		592
Total comprehensive income						16,985
Exercise of stock options and other stock compensation transactions		741			(537)	204
Adjustment to redeemable noncontrolling interests to reflect maximum redemption value		(7,668)				(7,668)
Balance at April 13, 2011	\$ 756	\$ 136,594				