

Edgar Filing: RYANS FAMILY STEAKHOUSES INC - Form 10-Q

RYANS FAMILY STEAKHOUSES INC

Form 10-Q

August 19, 2002

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Quarter ended July 3, 2002

Commission File No. 0-10943

RYAN'S FAMILY STEAK HOUSES, INC.
(Exact name of registrant as specified in its charter)

South Carolina No. 57-0657895
(State or other jurisdiction (I.R.S. Employer
of incorporation) Identification No.)

405 Lancaster Avenue (29650)
P. O. Box 100
Greer, South Carolina 29652
(Address of principal executive
offices, including zip code)

864-879-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed
all reports required to be filed by Sections 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 X No _____

At July 3, 2002, there were 43,510,000 shares outstanding of
the registrant's common stock, par value \$1.00 per share.

RYAN'S FAMILY STEAK HOUSES, INC.

TABLE OF CONTENTS PAGE NO.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements:

Edgar Filing: RYANS FAMILY STEAKHOUSES INC - Form 10-Q

Consolidated Statements of Earnings (Unaudited) - Quarters Ended July 3, 2002 and July 4, 2001	3
Consolidated Statements of Earnings (Unaudited) - Six Months Ended July 3, 2002 and July 4, 2001	4
Consolidated Balance Sheets - July 3, 2002 (Unaudited) and January 2, 2002	5
Consolidated Statements of Cash Flows (Unaudited) - Six Months Ended July 3, 2002 and July 4, 2001	6
Consolidated Statements of Shareholders' Equity (Unaudited) - Six Months Ended July 3, 2002 and July 4, 2001	7
Notes to Consolidated Financial Statements (Unaudited)	8 - 9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	10 - 13
Item 3. Quantitative And Qualitative Disclosures About Market Risk	13
Forward-Looking Information	14
PART II - OTHER INFORMATION	
Item 4. Submission of Matters to a Vote of Security Holders	15
Item 6. Exhibits and Reports on Form 8-K	15
SIGNATURES	16

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements	
------------------------------	--

RYAN'S FAMILY STEAK HOUSES, INC.

CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)

(In thousands, except per share data)

	Quarter Ended	
	July 3, 2002	July 4, 2001
Restaurant sales	\$201,027	192,606
Operating expenses:		
Food and beverage	71,480	70,116
Payroll and benefits	60,952	57,143

Edgar Filing: RYANS FAMILY STEAKHOUSES INC - Form 10-Q

Depreciation	7,351	7,266
Other operating expenses	26,089	26,245
Total operating expenses	165,872	160,770
Operating profit	35,155	31,836
General and administrative expenses	9,578	9,338
Interest expense	2,326	3,360
Revenues from franchised restaurants	(463)	(325)
Other income, net	(530)	(591)
Earnings before income taxes	24,244	20,054
Income taxes	8,818	7,220
Net earnings	\$ 15,426	12,834
Net earnings per common share:		
Basic	\$.35	.28
Diluted	.34	.27
Weighted-average shares:		
Basic	43,733	45,507
Diluted	45,977	46,958

See accompanying notes to consolidated financial statements.

RYAN'S FAMILY STEAK HOUSES, INC.

CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

(In thousands, except per share data)

	Six Months Ended	
	July 3, 2002	July 4, 2001
Restaurant sales	\$394,597	376,502
Operating expenses:		
Food and beverage	142,202	138,199
Payroll and benefits	119,278	112,190
Depreciation	14,703	14,320
Other operating expenses	52,377	51,611
Total operating expenses	328,560	316,320
Operating profit	66,037	60,182
General and administrative expenses	18,787	18,602
Interest expense	4,601	6,726
Revenues from franchised restaurants	(895)	(675)
Other income, net	(1,671)	(1,369)
Earnings before income taxes	45,215	36,898
Income taxes	16,368	13,283
Net earnings	\$ 28,847	23,615
Net earnings per common share:		
Basic	\$.65	.51
Diluted	.62	.50
Weighted-average shares:		
Basic	44,284	46,050
Diluted	46,557	47,198

Edgar Filing: RYANS FAMILY STEAKHOUSES INC - Form 10-Q

See accompanying notes to consolidated financial statements.

RYAN'S FAMILY STEAK HOUSES, INC.

CONSOLIDATED BALANCE SHEETS (In thousands)

	July 3, 2002 (Unaudited)	January 2, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,833	13,323
Receivables	4,512	4,806
Inventories	4,726	5,091
Deferred income taxes	5,048	5,048
Prepaid expenses	2,267	816
Total current assets	27,386	29,084
Property and equipment:		
Land and improvements	134,836	132,074
Buildings	388,937	379,254
Equipment	216,243	207,150
Construction in progress	42,693	38,145
	782,709	756,623
Less accumulated depreciation	219,935	209,514
Net property and equipment	562,774	547,109
Other assets	7,478	6,936
	\$597,638	583,129
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	12,813	13,472
Income taxes payable	6,422	3,238
Accrued liabilities	39,616	36,333
Total current liabilities	58,851	53,043
Long-term debt	195,000	178,000
Deferred income taxes	31,583	31,419
Other long-term liabilities	4,679	3,913
Total liabilities	290,113	266,375
Shareholders' equity:		
Common stock of \$1.00 par value; authorized 100,000,000 shares; issued 43,510,000 in 2002 and 45,816,000 shares in 2001	43,510	45,816
Additional paid-in capital	1,686	5,042
Retained earnings	262,329	265,896
Total shareholders' equity	307,525	316,754
Commitments		
	\$597,638	583,129

See accompanying notes to consolidated financial statements.

RYAN'S FAMILY STEAK HOUSES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)

Edgar Filing: RYANS FAMILY STEAKHOUSES INC - Form 10-Q

	Six Months Ended	
	July 3, 2002	July 4, 2001
Cash flows from operating activities:		
Net earnings	\$ 28,847	23,615
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	15,385	15,147
Gain on sale of property and equipment		(8)
(74)		
Tax benefit related to stock options exercised		1,686
1,104		
Decrease (increase) in:		
Receivables	294	(1,523)
Inventories	365	49
Prepaid expenses	(1,451)	(474)
Other assets	(681)	(347)
Increase (decrease) in:		
Accounts payable	(659)	6,283
Income taxes payable	1,498	5,570
Accrued liabilities	3,283	3,674
Deferred income taxes	164	133
Other long-term liabilities	766	565
Net cash provided by operating activities		49,489
53,722		
Cash flows from investing activities:		
Proceeds from sale of property and equipment		3,697
612		
Capital expenditures	(34,600)	(29,182)
Net cash used in investing activities		(30,903)
(28,570)		
Cash flows from financing activities:		
Net borrowings from revolving credit facility		17,000
-		
Proceeds from stock options exercised	4,438	2,904
Purchases of common stock	(42,514)	(11,883)
Net cash used in financing activities		(21,076)
(8,979)		
Increase (decrease) in cash and cash equivalents		(2,490)
16,173		
Cash and cash equivalents - beginning of period		13,323
2,098		
Cash and cash equivalents - end of period	\$	10,833
18,271		

See accompanying notes to consolidated financial statements.
RYAN'S FAMILY STEAK HOUSES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

Edgar Filing: RYANS FAMILY STEAKHOUSES INC - Form 10-Q

(In thousands)

I. For the Six Months ended July 3, 2002

	\$1 Par Value Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balances at January 2, 2002	\$45,816	5,042	265,896	316,754
Net earnings	-	-	28,847	28,847
Issuance of common stock under stock option plans	525	2,227	-	2,752
Tax benefit from exercise of non-qualified stock options	-	1,686	-	1,686
Purchases of common stock	(2,831)	(7,269)	(32,414)	(42,514)
Balances at July 3, 2002	\$43,510	1,686	262,329	307,525

II. For the Six Months ended July 4, 2001

	\$1 Par Value Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balances at January 3, 2001	\$46,788	-	235,641	282,429
Net earnings	-	-	23,615	23,615
Issuance of common stock under stock option plans	591	1,209	-	1,800
Tax benefit from exercise of non-qualified stock options	-	1,104	-	1,104
Purchases of common stock	(1,706)	(1,080)	(9,097)	(11,883)
Balances at July 4, 2001	\$45,673	1,233	250,159	297,065

See accompanying notes to consolidated financial statements.
RYAN'S FAMILY STEAK HOUSES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 3, 2002
(Unaudited)

Note 1. Description of Business

Ryan's Family Steak Houses, Inc. operates a single-concept restaurant chain consisting of 316 Company-owned and 22 franchised restaurants located principally in the southern and midwestern United States. The Company, organized in 1977, opened its first restaurant in 1978 and completed its initial public offering in 1982. The Company does not operate or franchise any international units.

Note 2. Basis of Presentation

The consolidated financial statements include the financial statements of Ryan's Family Steak Houses, Inc. and its

Edgar Filing: RYANS FAMILY STEAKHOUSES INC - Form 10-Q

wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-Q and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Consolidated operating results for the six months ended July 3, 2002 are not necessarily indicative of the results that may be expected for the fiscal year ending January 1, 2003. For further information, refer to the consolidated financial statements and footnotes included in the Company's annual report on Form 10-K for the fiscal year ended January 2, 2002.

Note 3. Relevant New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." Under the new rules, goodwill and other intangible assets with indefinite lives are no longer amortized but are reviewed annually for impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. The Company applied these new accounting rules on January 3, 2002 and believes that their application did not materially impact the accompanying 2002 financial statements.

The FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" in June 2001. SFAS No. 143 applies to legal obligations associated with the retirement of certain tangible long-lived assets. This statement is effective for fiscal years beginning after June 15, 2002. Accordingly, the Company will adopt this statement on January 2, 2003. The Company believes the adoption of SFAS 143 will not have a material impact on its financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS No. 144 is effective for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. The Company adopted the Statement effective January 3, 2002 with no impact on its 2002 results.

Note 4. Stock Split

On May 1, 2002, Ryan's board of directors approved a 3-for-2 stock split of the Company's common shares in the form of a 50% stock dividend. Accordingly, shareholders of record on May 15, 2002 received an additional common share for every

Edgar Filing: RYANS FAMILY STEAKHOUSES INC - Form 10-Q

two shares they held. The additional shares were distributed on May 29, 2002. All share and per share amounts in the accompanying financial statements have been restated to reflect the stock split.

Note 5. Reclassifications

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform to the 2002 presentation. These reclassifications did not affect the prior year's net income or stockholders' equity.

Note 6. Subsequent Event

On July 22, 2002 at a Special Meeting of Shareholders, the Company's shareholders approved the 2002 Stock Option Plan under which 3,600,000 shares of the Company's common stock were made available for future stock option grants.

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

RESULTS OF OPERATIONS

Quarter ended July 3, 2002 versus July 4, 2001

Restaurant sales during the second quarter of 2002 increased by 4.4% over the comparable quarter of 2001. Average unit growth, based on the average number of restaurants in operation, amounted to 2.6% for the quarter. Average unit sales ("AUS"), or the average weekly sales volume per unit, for all stores (including newly opened restaurants) increased by 2.1%. Same-store sales increased by 0.7% for the quarter compared to a 0.4% increase for 2001. The Company calculates same-store sales using AUS in units that have been open for at least 18 months and operating during comparable weeks during the current and prior years. Same-store sales in 2002 were favorably affected by new product introductions and menu price increases, but trended downward during the quarter, declining from +1.8% in April to -0.1% in June. All store formats, including Display Cooking (see "Liquidity and Capital Resources") were affected by the decline. In addition, first-year Display Cooking conversions showed average sales increases ranging from 3% to 5% during the quarter compared to management's expected increases of approximately 15% and a first quarter 2002 peak of +10%. Based on continued high sales volumes at new Display Cooking restaurants, management continues to believe that Display Cooking has consumer appeal and that current sales trends can be improved with better store-level execution and training.

Total costs and expenses of Company-owned restaurants include food and beverage, payroll, payroll taxes and employee benefits, depreciation, repairs, maintenance, utilities, supplies, advertising, insurance, property taxes and licenses. Such costs, as a percentage of sales, were 82.5% during the second quarter of 2002 compared to 83.5% in 2001. Food and beverage costs decreased to 35.6% of sales in 2002 from 36.4% of sales in 2001 due to lower beef,

Edgar Filing: RYANS FAMILY STEAKHOUSES INC - Form 10-Q

seafood, and pork costs combined with menu price increases, partially offset by higher potato, soybean-oil products and distribution costs. Payroll and benefits increased to 30.3% of sales in 2002 from 29.7% of sales in 2001 due principally to higher manager pay and workers' compensation costs. Manager pay increased as a result of improved retention and higher performance bonuses, and workers' compensation costs increased due to higher projected per claim costs. All other operating costs, including depreciation, decreased to 16.6% of sales in 2002 from 17.4% in 2001 due principally to lower natural gas and store closing costs in 2002. Based on these factors, the Company's operating profit increased by 1.0% of sales to 17.5% of sales in 2002 from 16.5% of sales in 2001.

General and administrative expenses remained flat at 4.8% of sales in both 2002 and 2001.

Interest expense for the second quarters of 2002 and 2001 amounted to 1.2% and 1.7% of sales, respectively. The effective average interest rate decreased to 5.5% during the second quarter of 2002 from 7.9% in 2001, resulting from a favorable interest rate environment. At July 3, 2002, approximately 62% of the Company's outstanding debt was variable-rate debt with interest rates based generally on the London Interbank Offered Rate ("LIBOR"). Based on current LIBOR rates management believes that the effective interest rate comparisons will remain favorable at least through the third quarter of 2002.

An effective income tax rate of 36.4% was used for the second quarter of 2002 compared to 36.0% for the second quarter of 2001 due to management's revised projection of overall 2002 income tax expense.

Net earnings for the second quarter amounted to \$15.4 million in 2002 compared to \$12.8 million in 2001. Weighted-average shares (diluted) decreased 2.1% resulting from the Company's stock repurchase program (see "Liquidity and Capital Resources"). Accordingly, earnings per share (diluted) increased by 25.9% to 34 cents in 2002 compared to 27 cents in 2001.

Six months ended July 3, 2002 versus July 4, 2001

For the six months ended July 3, 2002, restaurant sales were up 4.8% compared to the same period in 2001. Principal factors affecting the 2002 sales growth include 2.9% unit growth of Company-owned restaurants and a 2.1% increase in all-store AUS. Same-store AUS for the first six months of 2002 increased by 0.7%.

Six-month costs and expenses as detailed above were 83.3% and 84.0% of sales for 2002 and 2001, respectively. During the first six months of 2002, costs and expenses were most affected by lower food and beverage costs (down 0.7% of sales) resulting from lower beef, seafood, dairy and pork costs. Payroll and benefits increased 0.4% of sales to 30.2% of sales for 2002 from 29.8% for 2001 due to higher manager pay and workers' compensation costs, partially offset by lower medical expense. All other operating costs, including depreciation, decreased by 0.5% of sales due to

Edgar Filing: RYANS FAMILY STEAKHOUSES INC - Form 10-Q

lower natural gas and store closing costs. Based on these factors, the Company's operating margin at the restaurant level amounted to 16.7% of sales for the first six months of 2002 compared to 16.0% of sales in 2001.

General and administrative expenses decreased by 0.2% of sales for the first six months of 2002 due principally to lower performance-based bonus costs. A reduction in the average interest rate associated with the Company's revolving credit facility (see "Liquidity and Capital Resources") caused interest expense to decrease by 0.6% of sales from the prior year.

Effective income tax rates of 36.2% and 36.0% were used for the first six months of 2002 and 2001, respectively.

Net earnings for the first six months of 2002 amounted to \$28.8 million compared to \$23.6 million in 2001. Weighted-average shares (diluted) decreased 1.4% resulting from the Company's stock repurchase program (see "Liquidity and Capital Resources"). Accordingly, earnings per share (diluted) increased by 24.0% to 62 cents in 2002 compared to 50 cents in 2001.

LIQUIDITY AND CAPITAL RESOURCES

The Company's restaurant sales are primarily derived from cash. Inventories are purchased on credit and are rapidly converted to cash, generally prior to the payment of the related vendors' invoices. Therefore, the Company does not maintain significant receivables or inventories, and other working capital requirements for operations are not significant. Cash balances in excess of immediate disbursement requirements are typically used for non-current uses, such as capital expenditures, repayment of long-term debt or share repurchases. Accordingly, the Company operates with a working capital deficit, which is managed through the utilization of a significant and predictable cash flow from restaurant sales and available credit under a revolving credit facility.

At July 3, 2002, the Company's working capital deficit amounted to \$31.5 million compared to a \$24.0 million deficit at January 2, 2002. Management does not anticipate any adverse effects from the current working capital deficit due to (i) cash flow provided by operations, which amounted to \$49.5 million for the first six months of 2002 and \$84.9 million for the year ended January 2, 2002, and (ii) approximately \$69 million in funds available under a revolving credit facility.

Total capital expenditures for the first six months of 2002 amounted to \$34.6 million. The Company opened eight Ryan's restaurants during the first six months of 2002, including three relocations, and closed five restaurants, including three due to relocation. Management defines a relocation as a restaurant opened within 18 months after closing another restaurant in the same marketing area. A relocation represents a redeployment of assets within a market. For the remainder of 2002, the Company plans to build and open 11 new restaurants, including three relocations. All new

Edgar Filing: RYANS FAMILY STEAKHOUSES INC - Form 10-Q

restaurants will open with Ryan's Display Cooking format. This format was introduced in 2000 and involves a glass-enclosed grill and cooking area that extends into the dining room. A variety of meats are grilled daily and available to customers as part of the buffet price. Customers go the grill and can get hot, cooked-to-order steak, chicken or other grilled items placed directly from the grill onto their plate. Management intends to remodel approximately 35 restaurants during 2002 with the Display Cooking format. Total 2002 capital expenditures are estimated at \$73 million. The Company is currently concentrating its efforts on Company-owned Ryan's restaurants and is not actively pursuing any additional franchised locations, either domestically or internationally.

The Company began a stock repurchase program in March 1996 and is currently authorized to repurchase up to 55 million shares of the Company's common stock through December 2005. Repurchases may be made from time to time on the open market or in privately negotiated transactions in accordance with applicable securities regulations, depending on market conditions, share price and other factors. During the first six months of 2002, the Company purchased 2,825,100 shares at an aggregate cost of \$42.5 million. Through July 3, 2002, approximately 40.8 million shares, or 51% of total shares available at the beginning of the repurchase program, had been purchased at an aggregate cost of \$286.7 million. The Company purchased an additional 299,400 shares since July 3, 2002 at an aggregate cost of \$3.5 million. The Company completed substantially all of its 2002 share repurchase plan during the first six months of 2002, but may repurchase an additional \$2.0 million to \$4.0 million of its common stock during the remainder of the year if management believes that the share price is at an attractive level, subject to the continued availability of capital, the limitations imposed by the Company's current credit agreements, applicable securities regulations and the other factors described in "Forward-Looking Information". The Company is currently prohibited from repurchasing stock after 2002 by the terms of its revolving credit facility. Management is currently discussing potential revisions to this covenant with its lenders.

At July 3, 2002, the Company's outstanding debt consisted of \$75 million of 9.02% senior notes and a \$200 million revolving credit facility of which \$120 million was outstanding at that date. As noted above, after allowances for letters of credit and other items, there was approximately \$69 million in funds available under the revolving credit facility. The Company's ability to draw on these funds may be limited by restrictions in the agreements governing both the senior notes and the revolving credit facility. Management believes that, based on its current plans, these restrictions will not impair the Company's operations during 2002.

Management believes that its current capital structure is sufficient to meet its 2002 requirements. The Company has entered into interest rate hedging transactions in the past, and although no such agreements are currently outstanding, management intends to continue monitoring the interest rate environment and may enter into such transactions in the

future if deemed advantageous.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are defined as those that have significant impact on the Company's financial statements and involve difficult or subjective estimates of future events by management. Management's estimates could differ significantly from actual results, leading to possible significant adjustments to future financial results.

Management believes that the Company's policy regarding asset impairment is the Company's sole critical accounting policy. This policy generally applies to the recoverability of a restaurant's carrying amount. For restaurants that will continue to be operated, the carrying amount is compared to the undiscounted future cash flows, including proceeds from future disposal, of the restaurant. The estimate of future cash flows is based on management's review of historical and current sales and cost trends of both the subject and similar restaurants. The estimate of proceeds from future disposal is based on management's knowledge of current and planned development near the restaurant site and on current market transactions. If the carrying amount is not recoverable, or less than the sum of the undiscounted future cash flows, the carrying value is reduced to the restaurant's current fair value less costs to sell ("Current Market Proceeds"). The estimate of Current Market Proceeds is based on current market transactions for similar restaurants. If the decision has been made to close a restaurant, the carrying value of that restaurant is reduced to its Current Market Proceeds.

IMPACT OF INFLATION

The Company's operating costs that may be affected by inflation consist principally of food, payroll and utility costs. A significant number of the Company's restaurant team members are paid at the Federal minimum wage and accordingly, legislated changes to the minimum wage affect the Company's payroll costs. Although no minimum wage increases have been signed into law, legislation proposing to increase the minimum wage by \$1.50 to \$6.65 per hour was introduced in the U.S. Senate in May 2002. This proposed legislation would increase the minimum wage in several increments with the \$6.65 rate being in place at January 1, 2004. The Company is typically able to increase menu prices to cover most of the payroll rate increases.

The Company considers its current price structure to be very competitive. This factor, among others, is considered by the Company when passing cost increases on to its customers. Annual menu price increases during the last five years have generally ranged from 2% to 4%.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to market risk relates primarily to

changes in interest rates. Foreign currencies are not used in the Company's operations, and approximately 90% of the commodities used in the preparation of food at the Company's restaurants are not under purchase contract for more than one year in advance.

The Company is exposed to interest rate risk on its variable-rate debt, which is composed entirely of outstanding debt under the Company's revolving credit facility (see "Liquidity and Capital Resources"). At July 3, 2002, there was \$120 million in outstanding debt under this facility. Interest rates for the facility generally change in response to LIBOR. Management estimates that a one-percent change in interest rates throughout the quarter ended July 3, 2002 would have impacted interest expense by approximately \$248,000 and net earnings by \$159,000.

While the Company has entered into interest rate derivative agreements in the past, there were no such agreements outstanding as of July 3, 2002. The Company does not enter into financial instrument agreements for trading or speculative purposes.

FORWARD-LOOKING INFORMATION

In accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Company cautions that the statements in this annual report and elsewhere that are forward-looking involve risks and uncertainties that may impact the Company's actual results of operations. All statements other than statements of historical fact that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as deadlines for completing projects, expected financial results, expected regulatory environment and other such matters, are forward-looking statements. The words "estimates", "plans", "anticipates", "expects", "intends", "believes" and similar expressions are intended to identify forward-looking statements. All forward-looking information reflects the Company's best judgment based on current information. However, there can be no assurance that other factors will not affect the accuracy of such information. While it is not possible to identify all factors, the following could cause actual results to differ materially from expectations: general economic conditions including consumer confidence levels; competition; developments affecting the public's perception of buffet-style restaurants; real estate availability; food and labor supply costs; food and labor availability; weather fluctuations; interest rate fluctuations; stock market conditions; political environment; and other risks and factors described from time to time in the Company's reports filed with the Securities and Exchange Commission, including the Company's annual report on Form 10-K for the fiscal year ended January 2, 2002. The ability of the Company to open new restaurants depends upon a number of factors, including its ability to find suitable locations and negotiate acceptable land acquisition and construction contracts, its ability to attract and retain sufficient numbers of restaurant managers and team members, and the availability of reasonably priced capital. The extent of the Company's stock repurchase

Edgar Filing: RYANS FAMILY STEAKHOUSES INC - Form 10-Q

program during 2002 and future years depends upon the financial performance of the Company's restaurants, the investment required to open new restaurants, share price, the availability of reasonably priced capital, the financial covenants contained in the Company's loan agreements that govern the senior notes and the revolving credit facility, and the maximum debt and share repurchase levels authorized by the Company's Board of Directors.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

(a) The following table summarizes the results of the shareholder votes cast at the Annual Meeting of Shareholders held on May 1, 2002 (all votes, as adjusted for the stock split effected May 15, 2002, are in thousands):

					Broker-
	For	Against	Withheld	Abstain	Nonvotes
(i) Election of Directors:					
C. D. Way	30,507	n/a	9,827	n/a	n/a
G. E. McCranie	40,044	n/a	290	n/a	n/a
B. L. Edwards	40,043	n/a	290	n/a	n/a
J. M. Shoemaker, Jr.	39,777	n/a	552	n/a	n/a
H. K. Roberts, Jr.	40,043	n/a	291	n/a	n/a
J. D. Cockman	40,040	n/a	294	n/a	n/a
B. S. MacKenzie	40,044	n/a	290	n/a	n/a

(ii) Approval of 2002 Stock Option Plan	16,770	18,039	n/a	87	5,438
---	--------	--------	-----	----	-------

(iii) Ratify the appointment of KPMG LLP for fiscal 2003	40,050	251	n/a	33	n/a
--	--------	-----	-----	----	-----

(b) The following table summarizes the results of the shareholder votes cast at a Special Meeting of Shareholders held on July 22, 2002 (all votes are in thousands):

					Broker-
	For	Against	Withheld	Abstain	Nonvotes
Approval of 2002 Stock Option Plan	17,156	9,309	n/a	80	10,905

Item 6. Exhibits and Reports on Form 8-K.

- (a) None.
- (b) On May 1, 2002, the Company filed a report on Form 8-K regarding the Board of Directors' approval of a 3-for-2 stock split.

Edgar Filing: RYANS FAMILY STEAKHOUSES INC - Form 10-Q

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RYAN'S FAMILY STEAK HOUSES, INC.
(Registrant)

August 19, 2002	/s/Charles D. Way Charles D. Way Chairman, President and Chief Executive Officer
August 19, 2002	/s/Fred T. Grant, Jr. Fred T. Grant, Jr. Senior Vice President-Finance and Treasurer
August 19, 2002	/s/Richard D. Sieradzki Richard D. Sieradzki Controller