JACK IN THE BOX INC /NEW/
Form 10-Q
May 16, 2013

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 14, 2013
Commission File Number: 1-9390

JACK IN THE BOX INC.
(Exact name of registrant as specified in its charter)

DELAWARE	95-2698708
(State of Incorporation)	(I.R.S. Employer Identification No.)
9330 BALBOA AVENUE, SAN DIEGO, CA	92123
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code (858) 571-2121

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 þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ 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.

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a 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 Exchange Act).
Yes ¨ No þ
As of the close of business May 10, 2013, 44,480,489 shares of the registrant’s common stock were outstanding.

JACK IN THE BOX INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JACK IN THE BOX INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)
(Unaudited)

	April 14, 2013	September 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$10,202	$ 8,469
Accounts and other receivables, net	52,185	78,798
Inventories	8,713	7,752
Prepaid expenses	31,992	32,821
Deferred income taxes	26,931	26,932
Assets held for sale and leaseback	39,569	45,443
Assets of discontinued operations held for sale	—	30,591
Other current assets	452	375
Total current assets	170,044	231,181
Property and equipment, at cost	1,543,068	1,529,650
Less accumulated depreciation and amortization	(736,854)	(708,858)
Property and equipment, net	806,214	820,792
Goodwill	148,935	140,622
Other assets, net	276,544	271,130
	$1,401,737	$ 1,463,725
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$20,960	$ 15,952
Accounts payable	24,123	94,713
Accrued liabilities	160,581	164,637
Total current liabilities	205,664	275,302
Long-term debt, net of current maturities	369,728	405,276
Other long-term liabilities	369,667	371,202
Stockholders' equity:		
Preferred stock $0.01 par value, 15,000,000 shares authorized, none issued	—	—
Common stock $0.01 par value, 175,000,000 shares authorized, 77,559,191 and 75,827,894 issued, respectively	776	758
Capital in excess of par value	266,500	221,100
Retained earnings	1,154,650	1,120,671
Accumulated other comprehensive loss	(129,344)	(136,013)
Treasury stock, at cost, 33,362,162 and 31,955,606 shares, respectively	(835,904)	(794,571)
Total stockholders' equity	456,678	411,945
	$1,401,737	$ 1,463,725

See accompanying notes to condensed consolidated financial statements.

JACK IN THE BOX INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share data)
(Unaudited)

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Revenues:				
Company restaurant sales	$277,197	$290,803	$637,291	$654,905
Franchise revenues	78,426	75,681	183,855	169,500
	355,623	366,484	821,146	824,405
Operating costs and expenses, net:				
Company restaurant costs:				
Food and packaging	90,688	94,910	206,789	217,017
Payroll and employee benefits	79,620	84,566	183,684	191,377
Occupancy and other	63,152	66,184	146,506	152,127
Total company restaurant costs	233,460	245,660	536,979	560,521
Franchise costs	39,661	37,996	92,149	87,855
Selling, general and administrative expenses	52,972	54,497	120,308	120,214
Impairment and other charges, net	2,382	5,074	5,645	9,425
Losses (gains) on the sale of company-operated restaurants	2,418	(14,078)	1,670	(15,200)
	330,893	329,149	756,751	762,815
Earnings from operations	24,730	37,335	64,395	61,590
Interest expense, net	3,426	4,534	8,791	10,591
Earnings from continuing operations and before income taxes	21,304	32,801	55,604	50,999
Income taxes	7,894	11,169	18,250	17,417
Earnings from continuing operations	13,410	21,632	37,354	33,582
Losses from discontinued operations, net of income tax benefit	(120)	—	(3,375)	—
Net earnings	$13,290	$21,632	$33,979	$33,582
Net earnings per share - basic:				
Earnings from continuing operations	$0.31	$0.49	$0.86	$0.77
Losses from discontinued operations	—	—	(0.08)	—
Net earnings per share (1)	$0.30	$0.49	$0.78	$0.77
Net earnings per share - diluted:				
Earnings from continuing operations	$0.30	$0.48	$0.84	$0.75
Losses from discontinued operations	—	—	(0.08)	—
Net earnings per share (1)	$0.29	$0.48	$0.76	$0.75
Weighted-average shares outstanding:				
Basic	43,747	43,937	43,319	43,896
Diluted	45,274	44,911	44,736	44,775

(1) Earnings per share may not add due to rounding.

See accompanying notes to condensed consolidated financial statements.

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JACK IN THE BOX INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)
(Unaudited)

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Net earnings	$13,290	$21,632	$33,979	$33,582
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax benefit of $1,$0,$1 and $0, respectively	2	—	5	—
Actuarial losses and prior service cost reclassified to earnings, net of tax benefit of $1,672, $1,146, $3,901 and $2,673, respectively	2,689	1,839	6,274	4,291
Cash flow hedges:				
Change in fair value of derivatives, net of tax expense of $34, $82, $33 and $237, respectively	(60)	(132)	(57)	(382)
Net loss reclassified to earnings, net of tax benefit of $118, $115, $277 and $268, respectively	193	184	447	429
Other comprehensive income	2,824	1,891	6,669	4,338
Comprehensive income	$16,114	$23,523	$40,648	$37,920

See accompanying notes to condensed consolidated financial statements.

JACK IN THE BOX INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Year-to-Date	
	April 14, 2013	April 15, 2012
Cash flows from operating activities:		
Net earnings	$33,979	$33,582
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	52,590	51,874
Deferred finance cost amortization	1,249	1,431
Deferred income taxes	2,536	(2,560)
Share-based compensation expense	7,599	3,562
Pension and postretirement expense	16,772	14,372
Gains on cash surrender value of company-owned life insurance	(5,669)	(8,427)
Losses (gains) on the sale of company-operated restaurants	1,670	(15,200)
Losses on the disposition of property and equipment	416	2,858
Impairment charges and other	4,828	2,109
Loss on early retirement of debt	939	—
Changes in assets and liabilities, excluding acquisitions and dispositions:		
Accounts and other receivables	25,227	(8,680)
Inventories	25,883	5,213
Prepaid expenses and other current assets	751	(4,627)
Accounts payable	(32,036)	(6,178)
Accrued liabilities	(4,256)	6,237
Pension and postretirement contributions	(7,052)	(6,573)
Other	(3,821)	595
Cash flows provided by operating activities	121,605	69,588
Cash flows from investing activities:		
Purchases of property and equipment	(41,754)	(40,609)
Purchases of assets intended for sale and leaseback	(25,165)	(22,000)
Proceeds from sale and leaseback of assets	22,892	9,312
Proceeds from the sale of company-operated restaurants	2,866	21,964
Collections on notes receivable	2,987	9,669
Disbursements for loans to franchisees	—	(3,977)
Acquisitions of franchise-operated restaurants	(11,014)	(39,195)
Other	3,694	244
Cash flows used in investing activities	(45,494)	(64,592)
Cash flows from financing activities:		
Borrowings on revolving credit facilities	479,000	333,020
Repayments of borrowings on revolving credit facilities	(539,000)	(308,324)
Proceeds from issuance of debt	200,000	—
Principal repayments on debt	(170,540)	(10,662)
Debt issuance costs	(4,392)	(741)
Proceeds from issuance of common stock	37,113	2,015
Repurchases of common stock	(40,465)	(6,901)
Excess tax benefits from share-based compensation arrangements	599	287
Change in book overdraft	(36,693)	(13,806)
Cash flows used in financing activities	(74,378)	(5,112)

Net increase (decrease) in cash and cash equivalents	1,733	(116)
Cash and cash equivalents at beginning of period	8,469	11,424
Cash and cash equivalents at end of period	$10,202	$11,308

See accompanying notes to condensed consolidated financial statements.

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

Nature of operations — Founded in 1951, Jack in the Box Inc. (the "Company") operates and franchises Jack in the Box® quick-service restaurants and Qdoba Mexican Grill® ("Qdoba") fast-casual restaurants. The following table summarizes the number of restaurants as of the end of each period:

	April 14, 2013	April 15, 2012
Jack in the Box:		
Company-operated	546	601
Franchise	1,710	1,641
Total system	2,256	2,242
Qdoba:		
Company-operated	340	289
Franchise	307	316
Total system	647	605

References to the Company throughout these Notes to Condensed Consolidated Financial Statements are made using the first person notations of "we," "us" and "our."

Basis of presentation — The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission ("SEC"). During fiscal 2012, we entered into an agreement to outsource our Jack in the Box distribution business. As such, the results of operations for our distribution business for all periods presented are reported as discontinued operations. Refer to Note 2, Discontinued Operations, for additional information. In our opinion, all adjustments considered necessary for a fair presentation of financial condition and results of operations for these interim periods have been included. Operating results for one interim period are not necessarily indicative of the results for any other interim period or for the full year.

These financial statements should be read in conjunction with the consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012. The accounting policies used in preparing these condensed consolidated financial statements are the same as those described in our Form 10-K.

Principles of consolidation — The condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and the accounts of any variable interest entities ("VIEs") where we are deemed the primary beneficiary. All significant intercompany accounts and transactions are eliminated. For information related to the VIE included in our condensed consolidated financial statements, refer to Note 13, Variable Interest Entities.

Fiscal year — Our fiscal year is 52 or 53 weeks ending the Sunday closest to September 30. Fiscal years 2013 and 2012 include 52 weeks. Our first quarter includes 16 weeks and all other quarters include 12 weeks. All comparisons between 2013 and 2012 refer to the 12-weeks ("quarter") and 28-weeks ("year-to-date") ended April 14, 2013 and April 15, 2012, respectively, unless otherwise indicated.

Use of estimates — In preparing the condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles, management is required to make certain assumptions and estimates that affect reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingencies. In making these assumptions and estimates, management may from time to time seek advice and consider information provided by actuaries and other experts in a particular area. Actual amounts could differ materially from these estimates.

2. DISCONTINUED OPERATIONS

During fiscal 2012, we entered into an agreement with a third party distribution service provider pursuant to a Board-approved plan to sell our Jack in the Box distribution business. During the first quarter of fiscal 2013, we completed the transition of our distribution centers. The distribution business assets sold in the transaction are classified as assets of discontinued operations in the condensed consolidated balance sheet as of September 30, 2012. The operations and cash flows of the business have been eliminated and in accordance with the provisions of the Accounting Standards Codification (“ASC”) 360, Property, Plant, and Equipment, the results are reported as discontinued operations for all periods presented.

As of April 14, 2013, there were no assets or liabilities classified as held for sale related to our distribution business. The following is a summary of our distribution business assets held for sale as of September 30, 2012 (in thousands):

Inventories	$26,844
Property and equipment, net	3,747
Total assets of discontinued operations	$30,591

The following is a summary of our distribution business operating results, which are included in discontinued operations for each period (in thousands):

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Revenue	$—	$140,146	$37,743	$334,940
Operating loss before income tax benefit	$(175)	$—	$(5,437)	$—

The loss on the sale of the distribution business was not material to our results of operations. The operating loss in 2013 includes $1.9 million for accelerated depreciation of a long-lived asset disposed of upon completion of the transaction, $2.1 million for future lease commitments and $1.2 million primarily related to costs incurred to exit certain vendor contracts. Our liability for lease commitments related to our distribution centers is included in other long-term debt and has changed during 2013 as follows (in thousands):

	Quarter	Year-to-Date
Balance at beginning of period	$2,277	$697
Additions and adjustments	185	2,054
Cash payments	(346)	(635)
Balance at end of quarter	$2,116	$2,116

3. INDEBTEDNESS

New Credit Facility — On November 5, 2012, the Company refinanced its former credit facility and entered into an amended and restated credit agreement. The new credit facility is comprised of (i) a $400.0 million revolving credit facility and (ii) a $200.0 million term loan facility. The interest rate on the new credit facility is based on the Company's leverage ratio and can range from London Interbank Offered Rate ("LIBOR") plus 1.75% to 2.25% with no floor. The initial interest rate was LIBOR plus 2.00%. The revolving credit facility and the term loan facility both have maturity dates of November 5, 2017. As part of the credit agreement, we could also request the issuance of up to $75.0 million in letters of credit, the outstanding amount of which reduces our net borrowing capacity under the agreement.

Use of proceeds — The Company borrowed $200.0 million under the new term loan and approximately $220.0 million under the new revolving credit facility. The proceeds from the refinancing transaction were used to repay all borrowings under the former facility and to pay related transaction fees and expenses associated with the refinance of the facility, and will also be available for permitted share repurchases, permitted dividends, permitted acquisitions, ongoing working capital requirements and other general corporate purposes. At April 14, 2013, we had borrowings under the revolving credit facility of $190.0 million, $195.0 million outstanding under the term loan and letters of credit outstanding of $30.9 million.

Collateral — The Company's obligations under the new credit facility are secured by first priority liens and security interests in the capital stock, partnership, and membership interests owned by the Company and/or its subsidiaries, and any proceeds thereof, subject to certain restrictions. Additionally, there is a negative pledge on all tangible and intangible assets (including all real and personal property), with customary exceptions.

Covenants — We are subject to a number of customary covenants under our new credit facility, including limitations on additional borrowings, acquisitions, loans to franchisees, capital expenditures, lease commitments, stock repurchases and dividend payments, and requirements to maintain certain financial ratios defined in the credit agreement.

Repayments — The term loan requires amortization in the form of quarterly installments of $5.0 million that began in March 2013. We are required to make certain mandatory prepayments under certain circumstances and we have the option to make certain prepayments without premium or penalty. The new credit facility includes events of default (and related remedies, including acceleration and increased interest rates following an event of default) that are customary for facilities and transactions of this type.

JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

4. SUMMARY OF REFRANCHISINGS, FRANCHISE DEVELOPMENT AND ACQUISITIONS

Refranchisings and franchise development — The following is a summary of the number of Jack in the Box restaurants sold to franchisees, the number of restaurants developed by franchisees and the related gains and fees recognized (dollars in thousands):

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Restaurants sold to franchisees	4	37	4	37
New restaurants opened by franchisees	9	9	29	29
Initial franchise fees	$389	$1,770	$1,035	$2,490
Proceeds from the sale of company-operated restaurants (1)	$2,033	$20,715	$2,866	$21,964
Net assets sold (primarily property and equipment)	(1,635)	(5,754)	(1,720)	(5,833)
Goodwill related to the sale of company-operated restaurants	(67)	(604)	(67)	(652)
Other	—	(279)	—	(279)
Gains on the sale of company-operated restaurants (1)	331	14,078	1,079	15,200
Loss on anticipated sale of Jack in the Box company-operated market	(2,749)	—	(2,749)	—
Total gains (losses) on the sale of company-operated restaurants	$(2,418)	$14,078	$(1,670)	$15,200

(1) Amounts in 2013 and 2012 include additional proceeds and gains recognized upon the extension of the underlying franchise and lease agreements related to restaurants sold in a prior year of $0.2 million and $0.9 million, respectively, in the quarter and $1.0 million and $2.1 million, respectively, year-to-date.

Franchise acquisitions — During 2013 and 2012, we acquired 12 and 36 Qdoba franchise restaurants, respectively, in select markets where we believe there is continued opportunity for restaurant development. Additionally, in 2013 we exercised our right of first refusal and acquired one Jack in the Box franchise restaurant. We account for the acquisition of franchised restaurants using the acquisition method of accounting for business combinations. The purchase price allocations were based on fair value estimates determined using significant unobservable inputs (Level 3). The goodwill recorded primarily relates to the sales growth potential of the locations acquired. The following table provides detail of the combined allocations in each year-to-date period (dollars in thousands):

	April 14, 2013			April 15, 2012
	Qdoba	Jack in the Box	Total	Qdoba
Restaurants acquired from franchisees	12	1	13	36
Property and equipment	$2,632	$145	$2,777	$9,559
Reacquired franchise rights	106	34	140	461
Liabilities assumed	(281)	(2)	(283)	(108)
Goodwill	7,207	1,173	8,380	29,283
Total consideration	$9,664	$1,350	$11,014	$39,195

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

5. FAIR VALUE MEASUREMENTS

Financial assets and liabilities — The following table presents the financial assets and liabilities measured at fair value on a recurring basis at the end of each period (in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (3) (Level 1)	Significant Other Observable Inputs (3) (Level 2)	Significant Unobservable Inputs (Level 3)
Fair value measurements as of April 14, 2013:				
Non-qualified deferred compensation plan (1)	$(39,656)	$ (39,656)	$—	$—
Interest rate swaps (Note 6) (2)	(1,799)	—	(1,799)	—
Total liabilities at fair value	$(41,455)	$ (39,656)	$(1,799)	$—
Fair value measurements as of September 30, 2012:				
Non-qualified deferred compensation plan (1)	$(38,537)	$ (38,537)	$—	$—
Interest rate swaps (Note 6) (2)	(2,433)	—	(2,433)	—
Total liabilities at fair value	$(40,970)	$ (38,537)	$(2,433)	$—

(1) We maintain an unfunded defined contribution plan for key executives and other members of management excluded from participation in our qualified savings plan. The fair value of this obligation is based on the closing market prices of the participants' elected investments.

(2) We entered into interest rate swaps to reduce our exposure to rising interest rates on our variable debt. The fair values of our interest rate swaps are based upon Level 2 inputs which include valuation models as reported by our counterparties. The key inputs for the valuation models are quoted market prices, interest rates and forward yield curves.

(3) We did not have any transfers in or out of Level 1 or Level 2.

The fair values of the Company's debt instruments are based on the amount of future cash flows associated with each instrument discounted using the Company's borrowing rate. At April 14, 2013, the carrying values of the credit facility obligations were not materially different from fair value, as the borrowings are prepayable without penalty. The estimated fair values of our capital lease obligations approximated their carrying values as of April 14, 2013.

Non-financial assets and liabilities — The Company's non-financial instruments, which primarily consist of property and equipment, goodwill and intangible assets, are reported at carrying value and are not required to be measured at fair value on a recurring basis. However, on a periodic basis (at least annually for goodwill and semi-annually for property and equipment) or whenever events or changes in circumstances indicate that their carrying value may not be recoverable, non-financial instruments are assessed for impairment. If applicable, the carrying values are written down to fair value.

The following table presents non-financial assets and liabilities measured at fair value on a non-reoccurring basis during fiscal 2013 (in thousands):

	Fair Value Measurement	Impairment Charges
Long-lived assets held and used	$ 300	$2,878
Long-lived assets held for sale	$ 100	2,657

Long-lived assets held and used consist primarily of Jack in the Box restaurants determined to be underperforming or which we intend to close. To determine fair value, we used the income approach, which assumes that the future cash flows reflect current market expectations. The future cash flows are generally based on the assumption that the highest and best use of the asset is to sell the store to a franchisee (market participant). These fair value measurements require significant judgment using Level 3 inputs, such as discounted cash flows, which are not observable from the market, directly or indirectly. Refer to Note 7, Impairment, Disposition of Property and Equipment, Restaurant Closing Costs and Restructuring, for additional information regarding impairment charges.

Long-lived assets held for sale were written down to fair value less costs to sell and primarily relate to the anticipated sale of a Jack in the Box company-operated market.

JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

6. DERIVATIVE INSTRUMENTS

Objectives and strategies — We are exposed to interest rate volatility related to our variable rate debt. To reduce our exposure to rising interest rates, in August 2010, we entered into two interest rate swap agreements that effectively convert the first $100.0 million of our variable rate term loan borrowings to a fixed-rate basis from September 2011 through September 2014. These agreements have been designated as cash flow hedges.

Financial position — The following derivative instruments were outstanding as of the end of each period (in thousands):

	April 14, 2013		September 30, 2012	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate swaps (Note 5)	Accrued liabilities	$(1,799)	Accrued liabilities	$(2,433)
Total derivatives		$(1,799)		$(2,433)

Financial performance — The following is a summary of the accumulated other comprehensive income ("OCI") gain or loss activity related to our interest rate swap derivative instruments (in thousands):

	Location of Loss in Income	Quarter		Year-to-Date	
		April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Loss recognized in OCI	N/A	$(94)	$(214)	$(90)	$(619)
Loss reclassified from accumulated OCI into income	Interest expense, net	$(311)	$(299)	$(724)	$(697)

Amounts reclassified from accumulated OCI into interest expense represent payments made to the counterparty for the effective portions of the interest rate swaps. During the periods presented, our interest rate swaps had no hedge ineffectiveness.

7. IMPAIRMENT, DISPOSITION OF PROPERTY AND EQUIPMENT, RESTAURANT CLOSING COSTS AND RESTRUCTURING

Impairment and other charges, net in the accompanying condensed consolidated statements of earnings is comprised of the following (in thousands):

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Impairment charges	$362	$910	$2,884	$2,109
Losses on the disposition of property and equipment, net	1,248	1,775	416	2,858
Costs of closed restaurants (primarily lease obligations) and other	429	864	1,190	2,933
Restructuring costs	343	1,525	1,155	1,525
	$2,382	$5,074	$5,645	$9,425

Impairment — When events and circumstances indicate that our long-lived assets might be impaired and their carrying amount is greater than the undiscounted cash flows we expect to generate from such assets, we recognize an impairment loss as the amount by which the carrying value exceeds the fair value of the assets. Impairment charges in 2013 and in 2012 primarily represent charges to write down the carrying value of underperforming Jack in the Box restaurants and Jack in the Box restaurants we intend to or have closed.

Disposition of property and equipment — We also recognize accelerated depreciation and other costs on the disposition of property and equipment. When we decide to dispose of a long-lived asset, depreciable lives are adjusted based on the estimated disposal date and accelerated depreciation is recorded. Other disposal costs primarily relate to gains or losses recognized upon the sale of closed restaurant properties, and charges from our ongoing re-image and logo program and normal capital maintenance activities. Losses on the disposition of property and equipment, net for the 28-weeks ended April 14, 2013 includes income of $2.4 million from the resolution of two eminent domain matters involving Jack in the Box restaurants.

JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Restaurant closing costs consist of future lease commitments, net of anticipated sublease rentals and expected ancillary costs, and are included in impairment and other charges, net in the accompanying condensed consolidated statements of earnings. Total accrued restaurant closing costs, included in accrued liabilities and other long-term liabilities, changed as follows (in thousands):

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Balance at beginning of period	$19,561	$21,228	$20,677	$21,657
Additions and adjustments	312	666	738	1,912
Cash payments	(1,436)	(1,727)	(2,978)	(3,402)
Balance at end of quarter	$18,437	$20,167	$18,437	$20,167

Additions and adjustments in all periods presented primarily relate to revisions to certain sublease and cost assumptions.

Restructuring costs — Beginning in 2012, we have been engaged in a comprehensive review of our organization structure, including evaluating opportunities for outsourcing, restructuring of certain functions and workforce reductions. The following is a summary of these costs (in thousands):

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Severance costs	$302	$1,525	$670	$1,525
Other	41	—	485	—
	$343	$1,525	$1,155	$1,525

Total accrued severance costs related to our restructuring activities are included in accrued liabilities and changed as follows in 2013 (in thousands):

	Quarter	Year-to-Date
Balance at beginning of period	$671	$ 1,758
Additions	302	670
Cash payments	(934)	(2,389)
Balance at end of quarter	$39	$ 39

As part of the ongoing review of our organization structure, we expect to incur additional charges related to our restructuring activities; however, we are unable to make a reasonable estimate of the additional costs at this time. Our continuing efforts to lower our cost structure include identifying opportunities to reduce general and administrative costs as well as improve restaurant profitability across both brands.

8. INCOME TAXES

The income tax provisions reflect year-to-date effective tax rates of 32.8% in 2013 and 34.2% in 2012. The final annual tax rate cannot be determined until the end of the fiscal year; therefore, the actual 2013 rate could differ from our current estimates.

At April 14, 2013, our gross unrecognized tax benefits associated with uncertain income tax positions were $0.6 million, which if recognized would favorably impact the effective income tax rate. The gross unrecognized tax benefits decreased $0.3 million from the end of fiscal year 2012 based on the settlement of a state income tax audit. It is reasonably possible that changes to the gross unrecognized tax benefits will be required within the next twelve months due to the possible settlement of state tax audits.

The major jurisdictions in which the Company files income tax returns include the United States and states in which we operate that impose an income tax. The federal statutes of limitations have not expired for fiscal years 2009 and forward. The statutes of limitations for California and Texas, which constitute the Company’s major state tax jurisdictions, have not expired for fiscal years 2001 and 2007, respectively, and forward. Generally, the statutes of limitations for the other state jurisdictions have not expired for fiscal years 2009 and forward.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

9. RETIREMENT PLANS

Defined benefit pension plans — We sponsor a qualified defined benefit pension plan covering substantially all full-time employees hired prior to January 1, 2011. Participants will no longer accrue benefits under this plan effective December 31, 2015. We also sponsor an unfunded supplemental executive retirement plan, which provides certain employees additional pension benefits and was closed to new participants effective January 1, 2007. Benefits under both plans are based on the employees' years of service and compensation over defined periods of employment.

Postretirement healthcare plans — We also sponsor healthcare plans that provide postretirement medical benefits to certain employees who meet minimum age and service requirements. The plans are contributory, with retiree contributions adjusted annually, and contain other cost-sharing features such as deductibles and coinsurance.

Net periodic benefit cost — The components of net periodic benefit cost in each period were as follows (in thousands):

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Defined benefit pension plans:				
Service cost	$2,481	$2,175	$5,789	$5,075
Interest cost	5,222	5,225	12,185	12,191
Expected return on plan assets	(5,242)	(4,612)	(12,231)	(10,761)
Actuarial loss	4,116	2,864	9,604	6,683
Amortization of unrecognized prior service cost	62	100	145	233
Net periodic benefit cost	$6,639	$5,752	$15,492	$13,421
Postretirement healthcare plans:				
Service cost	$—	$14	$—	$33
Interest cost	366	373	854	870
Actuarial loss	183	21	426	48
Net periodic benefit cost	$549	$408	$1,280	$951

Future cash flows — Our policy is to fund our plans at or above the minimum required by law. As of the date of our last actuarial funding valuation, there was no minimum contribution funding requirement. Details regarding fiscal 2013 contributions are as follows (in thousands):

	Defined Benefit Pension Plans	Postretirement Healthcare Plans
Net year-to-date contributions	$6,995	$ 628
Remaining estimated net contributions during fiscal 2013	$11,400	$ 800

We will continue to evaluate contributions to our funded defined benefit pension plan based on changes in pension assets as a result of asset performance in the current market and economic environment.

10. SHARE-BASED COMPENSATION

We offer share-based compensation plans to attract, retain and motivate key officers, employees and non-employee directors to work toward the financial success of the Company. In 2013, we granted the following shares related to our share-based compensation awards in each period as follows:

	Year-to-Date
Stock options	376,793
Performance share awards	89,236
Nonvested stock units	141,616

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The components of share-based compensation expense recognized in each period are as follows (in thousands):

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Stock options	$1,269	$785	$3,159	$1,975
Performance share awards	547	172	1,664	502
Nonvested stock awards	85	135	219	315
Nonvested stock units	1,416	293	2,337	615
Deferred compensation for non-management directors	220	155	220	155
Total share-based compensation expense	$3,537	$1,540	$7,599	$3,562

11. STOCKHOLDERS' EQUITY

Repurchases of common stock — In November 2011, the Board of Directors approved a program, expiring November 2013, to repurchase $100.0 million in shares of our common stock. During 2013, we repurchased approximately 1.4 million shares at an aggregate cost of $41.3 million under this authorization. In November 2012, the Board of Directors approved a new program to repurchase up to an additional $100.0 million in shares of our common stock through November 2014. As of April 14, 2013, the aggregate remaining amount authorized for repurchase was $135.6 million under both authorizations.

Accumulated other comprehensive loss — The components of accumulated other comprehensive loss, net of taxes, were as follows at the end of each period (in thousands):

	April 14, 2013	September 30, 2012
Unrecognized periodic benefit costs, net of tax benefits of $79,704 and $83,605, respectively	$(128,239)	$(134,513)
Net unrealized losses related to cash flow hedges, net of tax benefits of $689 and $933, respectively	(1,110)	(1,500)
Foreign currency translation adjustment, net of tax expense of $2	5	—
Accumulated other comprehensive loss	$(129,344)	$(136,013)

12. AVERAGE SHARES OUTSTANDING

Our basic earnings per share calculation is computed based on the weighted-average number of common shares outstanding. Our diluted earnings per share calculation is computed based on the weighted-average number of common shares outstanding adjusted by the number of additional shares that would have been outstanding had the potentially dilutive common shares been issued. Potentially dilutive common shares include stock options, nonvested stock awards and units, non-management director stock equivalents and shares issuable under our employee stock purchase plan. Performance share awards are included in the weighted-average diluted shares outstanding each period if the performance criteria have been met at the end of the respective periods.

The following table reconciles basic weighted-average shares outstanding to diluted weighted-average shares outstanding (in thousands):

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Weighted-average shares outstanding – basic	43,747	43,937	43,319	43,896
Effect of potentially dilutive securities:				
Stock options	950	470	840	403

Nonvested stock awards and units	368	264	350	261
Performance share awards	209	240	227	215
Weighted-average shares outstanding – diluted	45,274	44,911	44,736	44,775
Excluded from diluted weighted-average shares outstanding:				
Antidilutive	215	3,092	1,094	2,975
Performance conditions not satisfied at the end of the period	223	351	223	351

JACK IN THE BOX INC. AND SUBSIDIARIES
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13. VARIABLE INTEREST ENTITIES

In January 2011, we formed Jack in the Box Franchise Finance, LLC ("FFE") for the purpose of operating a franchisee lending program to assist Jack in the Box franchisees in re-imaging their restaurants. We are the sole equity investor in FFE. The lending program was comprised of a $20.0 million commitment from the Company in the form of a capital note and an $80.0 million Senior Secured Revolving Securitization Facility entered into with a third party. The lending period and the revolving period expired in June 2012 and the third party facility repayments were completed in August 2012.

We have determined that FFE is a VIE. We considered a variety of factors in identifying the primary beneficiary of FFE including, but not limited to, who holds the power to direct matters that most significantly impact FFE's economic performance (such as determining the underwriting standards and credit management policies), as well as what party has the obligation to absorb the losses of FFE. Based on these considerations, we have determined that the Company is the primary beneficiary and have reflected the entity in the accompanying condensed consolidated financial statements.

FFE's assets consolidated by the Company represent assets that can be used only to settle obligations of the consolidated VIE. Likewise, FFE's liabilities consolidated by the Company do not represent additional claims on the Company's general assets; rather they represent claims against the specific assets of FFE. The impacts of FFE's results were not material to the Company's condensed consolidated statements of earnings or cash flows. The FFE's balance sheet consisted of the following at the end of each period (in thousands):

	April 14, 2013	September 30, 2012
Cash	$—	$ 444
Other current assets (1)	2,323	2,536
Other assets, net (1)	9,835	11,051
Total assets	$12,158	$ 14,031
Current liabilities	$89	$ 14
Other long-term liabilities (2)	12,338	14,428
Retained earnings	(269)	(411)
Total liabilities and stockholders' equity	$12,158	$ 14,031

(1) Consists primarily of amounts due from franchisees.
(2) Consists primarily of the capital note contributions from Jack in the Box which are eliminated in consolidation.

The Company's maximum exposure to loss is equal to its outstanding contributions as of April 14, 2013. This amount represents estimated losses that would be incurred should all franchisees default on their loans without any consideration of recovery. To offset the credit risk associated with the Company's variable interest in FFE, the Company holds a security interest in the assets of FFE subordinate and junior to all other obligations of FFE.

14. CONTINGENCIES AND LEGAL MATTERS

The Company assesses contingencies, including litigation contingencies, to determine the degree of probability and range of possible loss for potential accrual in its financial statements. An estimated loss contingency is accrued in the financial statements if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because litigation is inherently unpredictable, assessing contingencies is highly subjective and requires judgments about future events. When evaluating litigation contingencies, we may be unable to provide a meaningful estimate due to a number of factors, including the procedural status of the matter in question, the presence of complex or novel legal theories, and/or the ongoing discovery and development of information important to the matter. In addition, damage amounts claimed in litigation against us may be unsupported, exaggerated or unrelated to possible outcomes, and as such are not meaningful indicators of our potential liability. The Company regularly reviews contingencies to determine the adequacy of the accruals and related disclosures. The ultimate amount of loss may differ from these estimates.

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Gessele v. Jack in the Box Inc. — In August 2010, five former employees instituted litigation in federal court in Oregon alleging claims under the federal Fair Labor Standards Act ("FLSA") and Oregon wage and hour laws. The plaintiffs allege that the Company failed to pay non-exempt employees for certain meal breaks and improperly recorded payroll deductions for shoe purchases and for workers' compensation expenses. In April 2013, the district court: (i) granted certification of the Oregon state law claims with respect to payroll deductions for shoe purchases and workers' compensation expenses, (ii) granted conditional certification for these same claims under the FLSA, and (iii) denied certification for meal break claims under both federal and Oregon law. We intend to vigorously defend against this lawsuit. We have made an accrual for a single claim for which we believe a loss is both probable and estimable. This accrued loss contingency did not have a material effect on our results of operations. Due to the procedural status of the other claims in this case, we have not established a loss contingency accrual as the liability with respect to these claims is not probable and we are currently unable to estimate a range of loss. Nonetheless, an unfavorable resolution of this matter could have a material adverse effect on our business, results of operations, liquidity or financial condition.

Other Legal Matters — In addition to the matter described above, the Company is subject to normal and routine litigation brought by former, current or prospective employees, customers, franchisees, vendors, landlords, shareholders or others. We intend to defend ourselves in any such matters. Although we currently believe that the ultimate outcome of these matters will not have a material adverse effect on our business, results of operations, liquidity or financial position of the Company, it is possible that our business, results of operations, liquidity, or financial position could be materially affected in any particular future reporting period by the unfavorable resolution of one or more of these matters or contingencies.

Lease Guarantees — In connection with the sale of the distribution business, we have assigned the leases at two of our distribution centers to third parties. Under these agreements, which expire in 2015 and 2017, the Company remains secondarily liable for the lease payments for which we were responsible under the original lease. As of April 14, 2013, the amount remaining under these lease guarantees totaled $3.4 million. We have not recorded a liability for the guarantees as the likelihood of the third party defaulting on the assignment agreements was deemed to be less than probable.

15. SEGMENT REPORTING

We are principally engaged in developing, operating and franchising our Jack in the Box and Qdoba quick-service restaurant concepts, both of which we consider reportable operating segments. This segment reporting structure reflects the Company's current management structure, internal reporting method and financial information used in deciding how to allocate Company resources. Based upon certain quantitative thresholds, both operating segments are considered reportable segments.

We measure and evaluate our segments based on segment earnings from operations. Summarized financial information concerning our reportable segments is shown in the following tables (in thousands):

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Revenues by segment:				
Jack in the Box restaurant operations segment	$277,916	$299,418	$645,492	$682,076
Qdoba restaurant operations segment	77,707	67,066	175,654	142,329
Consolidated revenues	$355,623	$366,484	$821,146	$824,405
Earnings from operations by segment:				
Jack in the Box restaurant operations segment	$22,300	$33,510	$59,517	$55,647
Qdoba restaurant operations segment	2,468	3,869	4,965	6,043
FFE operations	(38)	(44)	(87)	(100)

Consolidated earnings from operations	$24,730	$37,335	$64,395	$61,590
Total depreciation expense by segment:				
Jack in the Box restaurant operations segment	$17,750	$18,035	$41,433	$42,328
Qdoba restaurant operations segment	4,640	3,970	10,658	8,752
Consolidated depreciation expense	$22,390	$22,005	$52,091	$51,080

Interest income and expense, income taxes and total assets are not reported for our segments, in accordance with our method of internal reporting.

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	April 14, 2013	September 30, 2012
Goodwill by segment (in thousands):		
Jack in the Box	$48,953	$ 47,847
Qdoba	99,982	92,775
Consolidated goodwill	$148,935	$ 140,622

Refer to Note 4, Summary of Refranchisings, Franchise Development and Acquisitions, for information regarding the changes in goodwill during 2013.

16. SUPPLEMENTAL CONSOLIDATED CASH FLOW INFORMATION (in thousands)

	April 14, 2013	April 15, 2012
Cash paid during the year for:		
Interest, net of amounts capitalized	$8,556	$11,089
Income tax payments	$22,907	$24,125

17. SUPPLEMENTAL CONSOLIDATED BALANCE SHEET INFORMATION (in thousands)

	April 14, 2013	September 30, 2012
Other assets, net:		
Company-owned life insurance policies	$91,375	$ 86,276
Deferred tax asset	108,855	115,537
Other	76,314	69,317
	$276,544	$ 271,130
Accrued liabilities:		
Payroll and related taxes	$44,191	$ 58,503
Sales and property taxes	12,699	13,055
Advertising	16,029	21,400
Insurance	33,319	33,391
Deferred beverage allowance	14,656	4,583
Other	39,687	33,705
	$160,581	$ 164,637
Other long-term liabilities:		
Pension plans	$212,604	$ 213,854
Straight-line rent accrual	53,768	54,288
Other	103,295	103,060
	$369,667	$ 371,202

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

GENERAL

All comparisons between 2013 and 2012 refer to the 12-weeks ("quarter") and 28-weeks ("year-to-date") ended April 14, 2013 and April 15, 2012, respectively, unless otherwise indicated.

For an understanding of the significant factors that influenced our performance during the quarterly and year-to-date periods ended April 14, 2013 and April 15, 2012, our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Condensed Consolidated Financial Statements and related Notes included in this Quarterly Report and our Annual Report on Form 10-K for the fiscal year ended September 30, 2012.

Our MD&A consists of the following sections:

- Overview — a general description of our business and fiscal 2013 highlights.
- Financial reporting — a discussion of changes in presentation.
- Results of operations — an analysis of our consolidated statements of earnings for the periods presented in our condensed consolidated financial statements.
- Liquidity and capital resources — an analysis of our cash flows including capital expenditures, share repurchase activity, known trends that may impact liquidity and the impact of inflation.
- Discussion of critical accounting estimates — a discussion of accounting policies that require critical judgments and estimates.
- New accounting pronouncements — a discussion of new accounting pronouncements, dates of implementation and the impact on our consolidated financial position or results of operations, if any.
- Cautionary statements regarding forward-looking statements — a discussion of the risks and uncertainties that may cause our actual results to differ materially from any forward-looking statements made by management.

OVERVIEW

As of April 14, 2013, we operated and franchised 2,256 Jack in the Box quick-service restaurants, primarily in the western and southern United States, and 647 Qdoba Mexican Grill ("Qdoba") fast-casual restaurants throughout the United States and including two in Canada.

Our primary source of revenue is from retail sales at Jack in the Box and Qdoba company-operated restaurants. We also derive revenue from Jack in the Box and Qdoba franchise restaurants, including royalties (based upon a percent of sales), franchise fees and rents from Jack in the Box franchisees. Historically, we also generated revenue from distribution sales of food and packaging commodities to franchisees. We completed the outsourcing of this function in the first quarter of fiscal 2013, and franchisees who previously utilized our distribution services now purchase product directly from our distribution service providers or other approved suppliers. In addition, we recognize gains from the sale of company-operated restaurants to franchisees. These gains are presented as a reduction of operating costs and expenses, net in the accompanying condensed consolidated statements of earnings.

The following summarizes the most significant events occurring in fiscal 2013 and certain trends compared to a year ago:

- Restaurant Sales — Sales at restaurants open more than one year ("same-store sales") changed as follows:

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Jack in the Box:				
Company	0.9%	5.6%	1.6%	5.5%
Franchise	(0.2)%	3.6%	0.9%	3.1%
System	0.1%	4.2%	1.1%	3.8%
Qdoba:				
Company	(2.0)%	3.8%	(0.1)%	3.7%
Franchise	(0.9)%	2.2%	(0.1)%	3.2%
System	(1.5)%	3.0%	(0.1)%	3.4%

- Commodity Costs — Commodity costs increased approximately 2.6% and 1.8% at our Jack in the Box and Qdoba restaurants, respectively, in the quarter and 1.0% and 1.4%, respectively, year-to-date compared to a year ago. We expect our overall commodity costs to increase approximately 2%-2.5% in fiscal 2013.
- New Unit Development — We continued to grow our brands with the opening of new company-operated and franchise-operated restaurants. Year-to-date, we opened 12 Jack in the Box locations and 32 Qdoba locations system-wide.
- Franchising Program — Qdoba and Jack in the Box franchisees opened a total of 29 restaurants year-to-date, including two Qdoba franchise locations in Canada. Our Jack in the Box system was approximately 76% franchised at the end of the second quarter and we plan to ultimately increase franchise ownership to be between 80% to 85%.
- Credit Facility — In November 2012, we entered into a new credit agreement consisting of a $400.0 million revolving credit facility and a $200.0 million term loan, both with a five-year maturity.
- Distribution Outsourcing — During the first quarter of 2013, we completed the outsourcing of our Jack in the Box distribution business. As a result, we recorded after-tax charges in the second quarter totaling $0.1 million, or $0.00 per diluted share, and $3.4 million, or $0.08 per diluted share, year-to-date. These charges are presented as discontinued operations in each period.
- Share Repurchases — Pursuant to a share repurchase program authorized by our Board of Directors, we repurchased approximately 1.4 million shares of our common stock at an average price of $29.39 per share during the year, including the cost of brokerage fees.

RESULTS OF OPERATIONS

The following table presents certain income and expense items included in our condensed consolidated statements of earnings as a percentage of total revenues, unless otherwise indicated. Percentages may not add due to rounding.

CONSOLIDATED STATEMENTS OF EARNINGS DATA

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Revenues:				
Company restaurant sales	77.9 %	79.3 %	77.6 %	79.4 %
Franchise revenues	22.1 %	20.7 %	22.4 %	20.6 %
Total revenues	100.0 %	100.0 %	100.0 %	100.0 %
Operating costs and expenses, net:				
Company restaurant costs:				
Food and packaging (1)	32.7 %	32.6 %	32.4 %	33.1 %
Payroll and employee benefits (1)	28.7 %	29.1 %	28.8 %	29.2 %
Occupancy and other (1)	22.8 %	22.8 %	23.0 %	23.2 %
Total company restaurant costs (1)	84.2 %	84.5 %	84.3 %	85.6 %
Franchise costs (1)	50.6 %	50.2 %	50.1 %	51.8 %
Selling, general and administrative expenses	14.9 %	14.9 %	14.7 %	14.6 %
Impairment and other charges, net	0.7 %	1.4 %	0.7 %	1.1 %
Losses (gains) on the sale of company-operated restaurants	0.7 %	(3.8)%	0.2 %	(1.8)%
Earnings from operations	7.0 %	10.2 %	7.8 %	7.5 %
Income tax rate (2)	37.1 %	34.1 %	32.8 %	34.2 %

(1) As a percentage of the related sales and/or revenues.
(2) As a percentage of earnings from continuing operations and before income taxes.

The following table presents Jack in the Box and Qdoba company restaurant sales, costs and costs as a percentage of the related sales. Percentages may not add due to rounding.

SUPPLEMENTAL COMPANY-OPERATED RESTAURANTS STATEMENTS OF EARNINGS DATA
(dollars in thousands)

	Quarter				Year-to-Date			
	April 14, 2013		April 15, 2012		April 14, 2013		April 15, 2012	
Jack in the Box:								
Company restaurant sales	$203,439		$227,828		$470,615		$522,181	
Company restaurant costs:								
Food and packaging	68,195	33.5 %	76,508	33.6 %	155,993	33.1 %	178,098	34.1 %
Payroll and employee benefits	58,108	28.6 %	67,128	29.5 %	135,110	28.7 %	153,697	29.4 %
Occupancy and other	42,421	20.9 %	48,900	21.5 %	99,009	21.0 %	114,191	21.9 %
Total company restaurant costs	$168,724	82.9 %	$192,536	84.5 %	$390,112	82.9 %	$445,986	85.4 %
Qdoba:								
Company restaurant sales	$73,758		$62,975		$166,676		$132,724	
Company restaurant costs:								
Food and packaging	22,493	30.5 %	18,402	29.2 %	50,796	30.5 %	38,919	29.3 %
Payroll and employee benefits	21,512	29.2 %	17,438	27.7 %	48,574	29.1 %	37,680	28.4 %
Occupancy and other	20,731	28.1 %	17,284	27.4 %	47,497	28.5 %	37,936	28.6 %
Total company restaurant costs	$64,736	87.8 %	$53,124	84.4 %	$146,867	88.1 %	$114,535	86.3 %

The following table summarizes the year-to-date changes in the number of Jack in the Box ("JIB") and Qdoba company and franchise restaurants:

	April 14, 2013			April 15, 2012		
	Company	Franchise	Total	Company	Franchise	Total
Jack in the Box:						
Beginning of year	547	1,703	2,250	629	1,592	2,221
New	3	9	12	9	14	23
Refranchised	(4)	4	—	(37)	37	—
Acquired from franchisees	1	(1)	—	—	—	—
Closed	(1)	(5)	(6)	—	(2)	(2)
End of period	546	1,710	2,256	601	1,641	2,242
% of JIB system	24 %	76 %	100 %	27 %	73 %	100 %
% of consolidated system	62 %	85 %	78 %	68 %	84 %	79 %
Qdoba:						
Beginning of year	316	311	627	245	338	583
New	12	20	32	8	15	23
Acquired from franchisees	12	(12)	—	36	(36)	—
Closed	—	(12)	(12)	—	(1)	(1)
End of period	340	307	647	289	316	605
% of Qdoba system	53 %	47 %	100 %	48 %	52 %	100 %
% of consolidated system	38 %	15 %	22 %	32 %	16 %	21 %
Consolidated:						
Total system	886	2,017	2,903	890	1,957	2,847
% of consolidated system	31 %	69 %	100 %	31 %	69 %	100 %

Revenues

As we execute our refranchising strategy for Jack in the Box, which includes the sale of restaurants to franchisees, we expect the number of company-operated restaurants and the related sales to decrease while revenues from franchise restaurants increase. As such, company restaurant sales decreased $13.6 million, or 4.7%, in the quarter and $17.6 million, or 2.7%, year-to-date compared with the prior year. The decreases in restaurant sales are due primarily to decreases in the average number of Jack in the Box company-operated restaurants, partially offset by increases in the number of Qdoba company-operated restaurants and increases in average unit sales volumes ("AUVs") at our Jack in the Box restaurants in both periods and at our Qdoba restaurants year-to-date.

The following table presents the approximate impact of these increases (decreases) on company restaurant sales (in thousands):

	Quarter	Year-to-Date
Decrease in the average number of Jack in the Box restaurants	$(29,900)	$(70,300)
Jack in the Box AUV increase	5,500	18,700
Increase in the average number of Qdoba restaurants	11,100	29,700
Qdoba AUV increase (decrease)	(300)	4,300
Total decrease in company restaurant sales	$(13,600)	$(17,600)

Same-store sales at Jack in the Box company-operated restaurants increased 0.9% in the quarter and 1.6% year-to-date primarily driven by price increases. Same-store sales at Qdoba company-operated restaurants decreased 2.0% in the quarter and 0.1% year-to-date primarily driven by transaction declines and the impact of greater promotional activity, partially offset by a combination of price increases and higher catering sales. The following table summarizes the change in company-operated same-store sales:

	Quarter	Year-to-Date
Jack in the Box:		
Transactions	(0.7)%	(0.4)%
Average check (1)	1.6%	2.0%
Change in same-store sales	0.9%	1.6%
Qdoba:		
Change in same-store sales (2)	(2.0)%	(0.1)%

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(1) Includes price increases of approximately 2.7% and 2.6%, in the quarter and year-to-date, respectively.
(2) Includes price increases of approximately 1.4% and 1.8%, in the quarter and year-to-date, respectively.

Franchise revenues increased $2.7 million in the quarter and $14.4 million year-to-date primarily reflecting an increase in the average number of Jack in the Box franchise restaurants, which contributed additional royalties and rents of approximately $4.4 million and $10.6 million, respectively. To a lesser extent, a decrease in re-image contributions to franchisees, which are recorded as a reduction of franchise revenues, also contributed to the increase in both periods. The impact of these increases were partially offset by a decrease in revenues from initial franchise fees. The following table reflects the detail of our franchise revenues in each period and other information we believe is useful in analyzing the change in franchise revenues (dollars in thousands):

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Royalties	$30,515	$29,382	$70,793	$67,511
Rents	47,099	44,427	111,051	104,094
Re-image contributions to franchisees	(515)	(827)	(1,128)	(6,535)
Franchise fees and other	1,327	2,699	3,139	4,430
Franchise revenues	$78,426	$75,681	$183,855	$169,500
% increase	3.6%		8.5%	
Average number of franchise restaurants	2,018	1,929	2,016	1,933
% increase	4.6%		4.3%	
Changes in franchise-operated same-store sales:				
Jack in the Box	(0.2)%	3.6%	0.9%	3.1%
Qdoba	(0.9)%	2.2%	(0.1)%	3.2%
Royalties as a percentage of estimated franchise restaurant sales:				
Jack in the Box	5.2%	5.3%	5.2%	5.2%
Qdoba	4.9%	5.0%	4.9%	5.0%

Operating Costs and Expenses

Food and packaging costs were 32.7% of company restaurant sales in the quarter and 32.4% year-to-date compared with 32.6% and 33.1%, respectively, a year ago. Higher commodity costs and greater promotional activity at our Qdoba restaurants were mostly offset in the quarter and more than offset year-to-date by the benefit of selling price increases, favorable product mix at our Jack in the Box restaurants, and a greater proportion of Qdoba company restaurants which generally have lower food and packaging costs than our Jack in the Box restaurants.

Commodity costs increased as follows compared with the prior year:

	Quarter	Year-to-Date
Jack in the Box	2.6%	1.0%
Qdoba	1.8%	1.4%

Costs were higher for most commodities other than bakery in both periods and dairy year-to-date. We expect overall commodity costs for fiscal 2013 to increase approximately 2%-2.5%. Beef represents the largest portion, or approximately 20%, of the Company's overall commodity spend. We typically do not enter into fixed price contracts for our beef needs. For the full year, we currently expect beef costs to increase approximately 3.0%, and most other major commodities to be higher in 2013 compared with last year.

Payroll and employee benefit costs decreased to 28.7% of company restaurant sales in the quarter and 28.8% year-to-date from 29.1% and 29.2%, respectively, in 2012, reflecting leverage from Jack in the Box same-store sales increases, lower levels of incentive compensation, the modest benefits of refranchising Jack in the Box restaurants and the favorable impact of recent acquisitions of Qdoba franchised restaurants.

Occupancy and other costs were 22.8% of company restaurant sales in the quarter and 23.0% year-to-date, compared with 22.8% and 23.2%, respectively, last year. The lower percentage in 2013 is due primarily to leverage from Jack in the Box same-store sales increases and the favorable impact of recent acquisitions of Qdoba franchised restaurants, partially offset by a greater proportion of Qdoba company restaurants which generally have higher occupancy and other costs than our Jack in the Box restaurants.

Franchise costs, principally rents and depreciation on properties leased to Jack in the Box franchisees, increased $1.7 million in the quarter and $4.3 million year-to-date, due primarily to an increase in the number of franchised restaurants, partially offset by cost savings associated with our restructuring initiatives. As a percentage of the related revenues, franchise costs in the quarter increased to 50.6% in 2013 from 50.2% in 2012 and decreased to 50.1% from 51.8%, respectively, year-to-date. The franchise cost percentages are impacted by changes in franchise fees, re-image contributions to franchisees, which are recorded as a reduction of franchise revenues, and same-store sales. The higher percentage in the quarter is primarily attributable to lower franchise fees while year-to-date the reduction in re-image contributions to franchisees more than offset the impact of lower franchise fees resulting in a decrease in the franchise cost rate.

The following table presents the change in selling, general and administrative ("SG&A") expenses compared with the prior year (in thousands):

	Increase / (Decrease)	
	Quarter	Year-to-Date
Advertising	$163	$(247)
Refranchising strategy	(192)	(1,053)
Incentive compensation (including share-based compensation)	804	3,259
Cash surrender value of COLI policies, net	(271)	1,587
Pension and postretirement benefits	1,028	2,400
Pre-opening costs	(745)	(1,653)
Other, including savings from restructuring initiatives	(2,312)	(4,199)
	$(1,525)	$94

Our refranchising strategy has resulted in a decrease in the number of Jack in the Box company-operated restaurants and the related overhead expenses to manage and support those restaurants, including advertising costs, which are primarily contributions to our marketing fund determined as a percentage of restaurant sales. As such, advertising costs decreased at Jack in the Box and were higher at Qdoba due to an increase in the number of company-operated restaurants.

The higher levels of incentive compensation primarily reflect increases in share-based compensation expense due to changes in the attribution period over which certain share-based compensation awards are recognized and a change in the timing of share-based compensation grants to non-management directors from the fourth quarter last year to the second quarter of 2013, offset in part by a decline in Qdoba's results compared with performance goals. The cash surrender value of our company-owned life insurance ("COLI") policies, net of changes in our non-qualified deferred compensation obligation supported by these policies, are subject to market fluctuations. The changes in market values had a positive impact of $1.4 million in the quarter and $2.7 million year-to-date compared with $1.1 million and $4.3 million, respectively, a year ago. The increase in pension and postretirement benefits expense principally relates to a decrease in the discount rate as compared with a year ago. The decrease in pre-opening costs primarily relate to higher expenses incurred in the prior year related to restaurant openings in new Jack in the Box markets.

Impairment and other charges, net is comprised of the following (in thousands):

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Impairment charges	$362	$910	$2,884	$2,109
Losses on the disposition of property and equipment, net	1,248	1,775	416	2,858
Costs of closed restaurants (primarily lease obligations) and other	429	864	1,190	2,933
Restructuring costs	343	1,525	1,155	1,525
	$2,382	$5,074	$5,645	$9,425

Impairment and other charges, net decreased $2.7 million in the quarter and $3.8 million year-to-date compared to a year ago reflecting decreases in restructuring costs incurred in connection with the comprehensive review of our organizational structure and declines in lease obligation costs associated with closed restaurants. Year-to-date, income of $2.4 million recognized on the disposition of property and equipment in 2013 from the resolution of two eminent domain matters involving Jack in the Box restaurants, partially offset by higher impairment charges related to Jack in the Box restaurants we intend to close or have closed also contributed to the decrease. Refer to Note 7, Impairment, Disposition of Property and Equipment, Restaurant Closing Costs and Restructuring, of the notes to the condensed consolidated financial statements for additional information regarding costs associated with closed restaurants.

Gains (losses) on the sale of company-operated restaurants to franchisees, net are detailed in the following table (dollars in thousands):

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Number of restaurants sold to franchisees	4	37	4	37
Gains on the sale of company-operated restaurants	$331	$14,078	$1,079	$15,200
Loss on expected sale of market	(2,749)	—	(2,749)	—
Gains (losses) on the sale of company-operated restaurants, net	$(2,418)	$14,078	$(1,670)	$15,200

Gains are impacted by the number of restaurants sold and changes in average gains recognized, which relate to the specific sales and cash flows of those restaurants. In 2013 and 2012, gains on the sale of company-operated restaurants include additional gains recognized upon the extension of the underlying franchise and lease agreements related to restaurants sold in a prior year of $0.2 million and $0.9 million, respectively, in the quarter and $1.0 million and $2.1 million, respectively, year-to-date. In 2013, gains (losses) on the sale of company-operated restaurants includes a loss of $2.7 million relating to the anticipated sale of a Jack in the Box market.

Interest Expense, Net

Interest expense, net is comprised of the following (in thousands):

	Quarter		Year-to-Date	
	April 14, 2013	April 15, 2012	April 14, 2013	April 15, 2012
Interest expense	$3,698	$5,152	$9,514	$11,756
Interest income	(272)	(618)	(723)	(1,165)
Interest expense, net	$3,426	$4,534	$8,791	$10,591

Interest expense, net decreased $1.1 million in the quarter and $1.8 million year-to-date compared with a year ago primarily due to lower average borrowings and average interest rates, partially offset year-to-date by a $0.9 million charge in 2013 to write-off deferred financing fees in connection with the refinancing of our credit facility.

Income Taxes

The tax rate in 2013 was 37.1% in the quarter and 32.8% year-to-date, compared with 34.1% and 34.2%, respectively, in the prior year. The tax rate in the second quarter of fiscal 2013 was affected by the timing of tax credits associated with the Work Opportunity Tax Credit. The tax rates in all periods were impacted by the market performance of insurance investment products used to fund certain non-qualified retirement plans. Changes in the cash value of the insurance products are not included in taxable income. We expect the fiscal year tax rate to be approximately 35%-36%. The annual tax rate cannot be determined until the end of the fiscal year; therefore, the actual rate could differ from our current estimates.

Earnings from Continuing Operations

Earnings from continuing operations were $13.4 million, or $0.30 per diluted share, in the quarter compared with $21.6 million, or $0.48 per diluted share, a year ago. Year-to-date earnings from continuing operations were $37.4 million, or $0.84 per diluted share, compared with $33.6 million or $0.75 per diluted share, a year ago.

Losses from Discontinued Operations, Net

As described in Note 2, Discontinued Operations, in the notes to the condensed consolidated financial statements, the losses from our distribution business have been reported as discontinued operations. Losses from discontinued operations, net were $0.1 million in the quarter and $3.4 million year-to-date and reflect exit costs associated with the outsourcing of our distribution business. These losses had no effect on diluted earnings per share in the quarter and reduced diluted earnings per share by approximately $0.08 year-to-date.

LIQUIDITY AND CAPITAL RESOURCES

General

Our primary sources of short-term and long-term liquidity are expected to be cash flows from operations, our revolving bank credit facility and the sale and leaseback of certain restaurant properties.

We generally reinvest available cash flows from operations to improve our restaurant facilities and develop new restaurants, to reduce debt and to repurchase shares of our common stock. Our cash requirements consist principally of:

- working capital;
- capital expenditures for new restaurant construction and restaurant renovations;
- income tax payments;
- debt service requirements; and
- obligations related to our benefit plans.

Based upon current levels of operations and anticipated growth, we expect that cash flows from operations, combined with other financing alternatives in place or available, will be sufficient to meet our capital expenditure, working capital and debt service requirements for the foreseeable future.

As is common in the restaurant industry, we maintain relatively low levels of accounts receivable and inventories, and our vendors grant trade credit for purchases such as food and supplies. We also continually invest in our business through the addition of new units and refurbishment of existing units, which are reflected as long-term assets and not as part of working capital. As a result, we may at times maintain current liabilities in excess of current assets, which results in a working capital deficit.

Cash Flows

The table below summarizes our cash flows from operating, investing and financing activities (in thousands):

	Year-to-Date	
	April 14, 2013	April 15, 2012
Total cash provided by (used in):		
Operating activities	$121,605	$69,588
Investing activities	(45,494)	(64,592)
Financing activities	(74,378)	(5,112)
Net increase (decrease) in cash and cash equivalents	$1,733	$(116)

Operating Activities. Operating cash flows increased $52.0 million compared with a year ago due primarily to the outsourcing of our distribution business which freed up working capital previously tied up in franchise receivables and distribution inventory. Additionally, a $33.3 million increase in net income adjusted for non-cash items excluded from cash flows and timing differences associated with rent payments for the month of October also contributed to the increase in operating cash flows. The impact of these increases in cash flows were partially offset by an increase in incentive compensation payments in the first quarter of 2013 compared with the same period a year ago.

Investing Activities. Cash used in investing activities decreased $19.1 million compared with a year ago due primarily to a decrease in cash used to acquire franchise-operated restaurants as well as an increase in proceeds from assets held for sale and leaseback. The impact of these decreases in cash outflows were partially offset by a decrease in proceeds from the sale of company-operated restaurants.

Capital Expenditures — The composition of capital expenditures in each period follows (in thousands):

	Year-to-Date	
	April 14, 2013	April 15, 2012
Jack in the Box:		
New restaurants	$2,555	$7,527
Restaurant facility improvements	20,511	16,748
Other, including corporate	3,326	7,408
	$26,392	$31,683
Qdoba:		
New restaurants	$11,955	$6,517
Other, including corporate	3,407	2,409
	$15,362	$8,926
Consolidated capital expenditures	$41,754	$40,609

Our capital expenditure program includes, among other things, investments in new locations, restaurant remodeling, new equipment and information technology enhancements. Capital expenditures increased compared to a year ago due primarily to an increase in spending related to new Qdoba restaurants partially offset by a decrease in spending related to new Jack in the Box restaurants. We expect fiscal 2013 capital expenditures to be approximately $95-$105 million. We plan to open approximately 6 Jack in the Box and 40 Qdoba company-operated restaurants in 2013.

Sale of Company-Operated Restaurants — We continue to expand franchise ownership in the Jack in the Box system primarily through the sale of company-operated restaurants to franchisees. The following table details proceeds received in connection with our refranchising activities in each period (dollars in thousands):

	Year-to-Date	
	April 14, 2013	April 15, 2012
Number of restaurants sold to franchisees	4	37
Total proceeds	$2,866	$21,964
Average Proceeds	$717	$594

In certain instances, we may provide financing to facilitate the closing of certain transactions. As of April 14, 2013, notes receivable related to prior year refranchisings were $2.2 million.

Assets Held for Sale and Leaseback — We use sale and leaseback financing to lower the initial cash investment in our Jack in the Box restaurants to the cost of the equipment, whenever possible. The following table summarizes the cash flow activity related to sale and leaseback transactions in each period (dollars in thousands):

	Year-to-Date	
	April 14, 2013	April 15, 2012
Number of restaurants sold and leased back	12	5
Proceeds from sale and leaseback of assets	$22,892	$9,312
Purchases of assets intended for sale and leaseback	(25,165)	(22,000)
Net cash flows related to assets held for sale and leaseback	$(2,273)	$(12,688)

As of April 14, 2013, we had investments of $35.9 million in 18 operating and under construction restaurant properties that we expect to sell and leaseback during the next 12 months.

Acquisition of Franchise-Operated Restaurants — In each period, we acquired Qdoba franchise restaurants in select markets where we believe there is continued opportunity for restaurant development. Additionally, in 2013 we exercised our right of first refusal and acquired one Jack in the Box franchise restaurant. The following table details franchise-operated restaurant acquisition activity (dollars in thousands):

	Year-to-Date	
	April 14, 2013	April 15, 2012
Number of Jack in the Box restaurants acquired from franchisees	1	—
Number of Qdoba restaurants acquired from franchisees	12	36
Cash used to acquire franchise-operated restaurants	$11,014	$39,195

The purchase prices were primarily allocated to property and equipment, goodwill and reacquired franchise rights. For additional information, refer to Note 4, Summary of Refranchisings, Franchise Development and Acquisitions, of the notes to the condensed consolidated financial statements.

Financing Activities. Cash flows used in financing activities increased $69.3 million compared with a year ago primarily attributable to an increase in cash used to repurchase shares of our common stock, a decrease in borrowings under our credit facility, and the change in our book overdraft related to the timing of working capital receipts and disbursements. These increases in cash outflows were partially offset by an increase in proceeds from the issuance of common stock related to stock option exercises.

New Credit Facility — In November 2012, we replaced our existing credit facility with a new credit facility intended to provide a more flexible capital structure and take advantage of lower interest rates. The new facility is comprised of (i) a $400.0 million revolving credit facility and (ii) a $200.0 million term loan, both maturing on November 5, 2017, and both bearing interest at London Interbank Offered Rate ("LIBOR") plus 2.00%, as of April 14, 2013. As part of the credit agreement, we may also request the issuance of up to $75.0 million in letters of credit, the outstanding amount of which reduces the net borrowing capacity under the agreement. The credit facility requires the payment of an annual commitment fee based on the unused portion of the credit facility. The credit facility's interest rate is based on the Company's financial leverage ratio, as defined in the credit agreement, and can range from LIBOR plus 1.75% to 2.25% with no floor. We may make voluntary prepayments of the loans under the revolving credit facility and term loan at any time without premium or penalty. Specific events, such as asset sales, certain issuances of debt, and insurance and condemnation recoveries, could trigger a mandatory prepayment.

The Company borrowed approximately $220.0 million under the revolving credit facility and $200.0 million under the term loan. The proceeds were used to repay all borrowings under the prior credit facility and the related transaction fees and expenses, including those associated with the new credit facility. Loan origination costs associated with the new credit facility were $4.4 million and are included as deferred costs in other assets, net in the accompanying condensed consolidated balance sheet as of April 14, 2013. At April 14, 2013, we had $195.0 million outstanding under the term loan, borrowings under the revolving credit facility of $190.0 million and letters of credit outstanding of $30.9 million.

We are subject to a number of customary covenants under our new credit facility, including limitations on additional borrowings, acquisitions, loans to franchisees, capital expenditures, lease commitments, stock repurchases, dividend payments and requirements to maintain certain financial ratios defined in our credit agreement. We were in compliance with all covenants as of April 14, 2013.

Interest Rate Swaps — To reduce our exposure to rising interest rates under our variable rate debt, we consider interest rate swaps. In August 2010, we entered into two forward-looking swaps that effectively convert the first $100.0 million of our variable rate term loan to a fixed-rate basis from September 2011 through September 2014. Based on the term loan's applicable margin of 2.00% as of April 14, 2013, these agreements would have an average pay rate of 1.54%, yielding an "all-in" fixed rate of 3.54%. For additional information related to our interest rate swaps, refer to Note 6, Derivative Instruments, of the notes to the condensed consolidated financial statements.

Repurchases of Common Stock — In November 2011, the Board of Directors approved a program, expiring November 2013, to repurchase $100.0 million in shares of our common stock. During 2013, we repurchased approximately 1.4 million shares at an aggregate cost of $41.3 million under this authorization. In November 2012, the Board of Directors approved a new program to repurchase up to an additional $100.0 million in shares of our common stock through November 2014. As of April 14, 2013, the aggregate remaining amount authorized for repurchase was $135.6 million under both authorizations.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, results of operations, liquidity, capital expenditures or capital resources.

DISCUSSION OF CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates are those the Company believes are most important for the portrayal of the Company's financial condition and results and that require management's most subjective and complex judgments. Judgments and uncertainties regarding the application of these policies may result in materially different amounts being reported under various conditions or using different assumptions. There have been no material changes to the critical accounting estimates previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012.

NEW ACCOUNTING PRONOUNCEMENTS

Accounting standards that have been issued by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on our condensed consolidated financial statements upon adoption.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the federal securities laws. Any statements contained herein that are not historical facts may be deemed to be forward-looking statements. Forward-looking statements may be identified by words such as "anticipate," "assume," "believe," "estimate," "expect," "forecast," "goals," "gu "intend," "plan," "project," "may," "will," "would", "should" and similar expressions. These statements are based on managem current expectations, estimates, forecasts and projections about our business and the industry in which we operate. These estimates and assumptions involve known and unknown risks, uncertainties, and other factors that are in some cases beyond our control. Factors that may cause our actual results to differ materially from any forward-looking statements include, but are not limited to, the important factors described in the "Discussion of Critical Accounting Estimates," and in other sections in this Form 10-Q and in our most recent Annual Report on Form 10-K for the fiscal year ended September 30, 2012 ("Form 10-K") and other Securities and Exchange Commission filings, including:

- Food service businesses such as ours may be materially and adversely affected by changes in consumer preferences or dining habits, and economic, political and socioeconomic conditions. Adverse economic conditions such as unemployment and decreased discretionary spending may result in reduced restaurant traffic and sales and impose practical limits on pricing.
- Our profitability depends in part on food and commodity costs and availability, including animal feed costs and fuel costs and other supply and distribution costs. The risks of increased commodities costs and volatility in costs could adversely affect our profitability and results of operations.
- Multi-unit food service businesses such as ours can be materially and adversely affected by widespread negative publicity of any type, particularly regarding food quality or public health issues. Negative publicity regarding our brands or the restaurant industry in general could cause a decline in system restaurant sales and could have a material adverse effect on our financial condition and results of operations.
- Similarly, food service businesses such as ours are subject to the risk that shortages or interruptions in supply could adversely affect the availability, quality and cost of ingredients.
- Our business can be materially and adversely affected by severe weather conditions, which can result in lost restaurant sales, supply chain interruptions and increased costs.
- Growth and new restaurant development involve substantial risks, including risks associated with unavailability of suitable franchisees, limited financing availability, cost overruns and the inability to secure suitable sites on acceptable terms. In addition, our growth strategy includes opening restaurants in new markets where we cannot assure that we will be able to successfully expand or acquire critical market presence, attract customers or otherwise operate profitably.
- The restaurant industry is highly competitive with respect to price, service, location, brand identification and menu quality and innovation. We cannot assure that we will be able to effectively respond to aggressive competitors (including competitors with significantly greater financial resources); that our facility improvements and related

strategies will increase our same-store sales and AUVs; or that our new products, service initiatives or our overall strategies will be successful.

- Should our advertising and promotions be less effective than our competitors, there could be a material adverse effect on our results of operations and financial condition.

- The cost-saving initiatives taken in recent years, including the outsourcing of our distribution business, are subject to risk and uncertainties, and we cannot assure that these activities, or any other activities we undertake in the future, will achieve the desired savings and efficiencies.
- The loss of key personnel could have a material adverse effect on our business.
- The costs of compliance with government regulations, including those resulting in increased labor costs, could negatively affect our results of operations and financial condition.
- A material failure or interruption of service or a breach in security of our information technology systems or databases could cause reduced efficiency in operations, loss or misappropriation of data or business interruptions.
- We maintain a documented system of internal controls, which is reviewed and monitored by an Internal Controls Committee and tested by the Company's full-time internal audit department. Any failures in the effectiveness of our internal controls could have a material adverse effect on our operating results or cause us to fail to meet reporting obligations.
- Failure to comply with environmental laws could result in the imposition of severe penalties or restrictions on operations by governmental agencies or courts of law, which could adversely affect operations.
- Our ability to repay expected borrowings under our credit facility and to meet our other debt or contractual obligations will depend upon our future performance and our cash flows from operations, both of which are subject to prevailing economic conditions and financial, business and other known and unknown risks and uncertainties, certain of which are beyond our control.
- Changes in accounting standards, policies or related interpretations by accountants or regulatory entities may negatively impact our results.
- We are subject to litigation which is inherently unpredictable and can result in unfavorable resolutions where the amount of ultimate loss may exceed our estimated loss contingencies, or impose other costs in defense of claims or distract management from our operations.

Potential investors are urged to consider these factors, more fully described in our Form 10-K, carefully in evaluating any forward-looking statements, and are cautioned not to place undue reliance on the forward-looking statements. All forward-looking statements are made only as of the date issued, and we do not undertake any obligation to update any forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary exposure to risks relating to our financial instruments are changes in interest rates. Our credit facility, which is comprised of a revolving credit facility and a term loan, bears interest at an annual rate equal to the prime rate of LIBOR plus an applicable margin based on a financial leverage ratio. As of April 14, 2013, the applicable margin for the LIBOR-based revolving loans and term loan was set at 2.00%.

We use interest rate swap agreements to reduce exposure to interest rate fluctuations. In August 2010, we entered into two interest rate swap agreements that effectively convert $100.0 million of our variable rate term loan borrowings to a fixed-rate basis beginning September 2011 through September 2014. Based on the term loan's applicable margin of 2.00% as of April 14, 2013, these agreements would have an average pay rate of 1.54%, yielding a fixed rate of 3.54%.

A hypothetical 100 basis point increase in short-term interest rates, based on the outstanding unhedged balance of our revolving credit facility and term loan at April 14, 2013, would result in an estimated increase of $2.9 million in annual interest expense.

We are also exposed to the impact of commodity and utility price fluctuations. Many of the ingredients we use are commodities or ingredients that are affected by the price of other commodities, weather, seasonality, production, availability and various other factors outside our control. In order to minimize the impact of fluctuations in price and availability, we monitor the primary commodities we purchase and may enter into purchasing contracts and pricing arrangements when considered to be advantageous. However, certain commodities remain subject to price fluctuations. We are exposed to the impact of utility price fluctuations related to unpredictable factors such as weather and various other market conditions outside our control. Our ability to recover increased costs for commodities and utilities through higher prices is limited by the competitive environment in which we operate. From time to time, we enter into futures and option contracts to manage these fluctuations. At April 14, 2013, we had no such contracts in place.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Based on an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a - 15 and 15d - 15 of the Securities Exchange Act of 1934, as amended), as of the end of the Company's quarter ended April 14, 2013, the Company's Chief Executive Officer and Chief Financial Officer (its principal executive officer and principal financial officer, respectively) have concluded that the Company's disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended April 14, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION
There is no information required to be reported for any items under Part II, except as follows:

ITEM 1. LEGAL PROCEEDINGS
See Note 14, Contingencies and Legal Matters, of the notes to the unaudited condensed consolidated financial statements for a discussion of our contingencies and legal matters.

ITEM 1A. RISK FACTORS
You should consider the risks and uncertainties described under Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended September 30, 2012, which we filed with the SEC on November 21, 2012, together with the risks and uncertainties discussed under the heading “Cautionary Statements Regarding Forward-Looking Statements” in Item 2 of this Quarterly Report on Form 10-Q when evaluating our business and our prospects. You should also refer to the other information set forth in this Quarterly Report and in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012, including our financial statements and the related notes. There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012. These risks and uncertainties are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of the risks or uncertainties actually occurs, our business and financial results could be harmed. In that case, the market price of our common stock could decline.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
As of April 14, 2013, our credit agreement provides for up to $500.0 million for the potential payment of cash dividends and stock repurchases, subject to certain limitations based on our leverage ratio as defined in our credit agreement.
Dividends — We did not pay any cash or other dividends during the last two fiscal years and do not anticipate paying dividends in the foreseeable future.
Stock Repurchases — In November 2011, the Board of Directors approved a program, expiring November 2013, to repurchase $100.0 million in shares of our common stock. During 2013, we repurchased approximately 1.4 million shares at an aggregate cost of $41.3 million under this authorization. In November 2012, the Board of Directors approved a new program to repurchase up to an additional $100.0 million in shares of our common stock through November 2014. As of April 14, 2013, the aggregate remaining amount authorized for repurchase was $135.6 million under both authorizations. The following table summarizes shares repurchased during the quarter ended April 14, 2013:

	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced programs	(d) Maximum dollar value that may yet be purchased under these programs
				$ 150,000,016
January 21, 2013 - February 17, 2013	—	$—	—	$ 150,000,016
February 18, 2013 - March 17, 2013	—	—	—	$ 150,000,016
March 18, 2013 - April 14, 2013	421,120	34.28	421,120	$ 135,554,862
Total	421,120	$34.28	421,120	

ITEM 4. MINE SAFETY DISCLOSURES
Not applicable.
ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Number	Description	Form	Filed with SEC
3.1	Restated Certificate of Incorporation, as amended, dated September 21, 2007	10-K	11/20/2009
3.1.1	Certificate of Amendment of Restated Certificate of Incorporation, dated September 21, 2007	8-K	9/24/2007
3.2	Amended and Restated Bylaws, dated April 9, 2012	8-K	4/10/2012
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	—	Filed herewith
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	—	Filed herewith
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	—	Filed herewith
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	—	Filed herewith
101.INS*	XBRL Instance Document		
101.SCH*	XBRL Taxonomy Extension Schema Document		
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document		
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document		
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document		
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document		

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* In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be "furnished" and not "filed."

SIGNATURE

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.

JACK IN THE BOX INC.

By: /S/ JERRY P. REBEL
Jerry P. Rebel
Executive Vice President and Chief Financial Officer (principal financial officer)
(Duly Authorized Signatory)

Date: May 16, 2013

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