

Red Robbin Gourmet Burgers. RRGB - \$47.55 – NasdaqGS

Recommendation: Cover remaining ½ of Short Position

Reasons For Closing ½ Short Recommendation

- 1st Short recommendation: Dec 12, 2016 @ \$53.80, **Profit \$6.25, +11.6%**
- 2nd Short recommendation: Jan 12, 2017 @ \$51.60, **Profit \$4.05, +7.8%**
- 3rd Short recommendation: May 22, 2017 @ \$72.95, **Profit \$25.40, +34.8%**
- 4th Short recommendation: July 16, 2017 @ \$63.45, **Profit \$15.90, +25.1%**

We are recommending taking profit on the remaining half of our short position. The stock is down 30% after 3rd quarter earnings. We have shorted RRGB a total of 9 times since September 2015, we have made a profit on all 9 short trades. With only two stores opening in 4Q and no more after 2018, growth is limited going forward. Valuation: 15x \$2.50 in 2018 equals \$37.50, 20x equals \$50, average the two, 17x equals \$43.75.



2017 Third Quarter Results

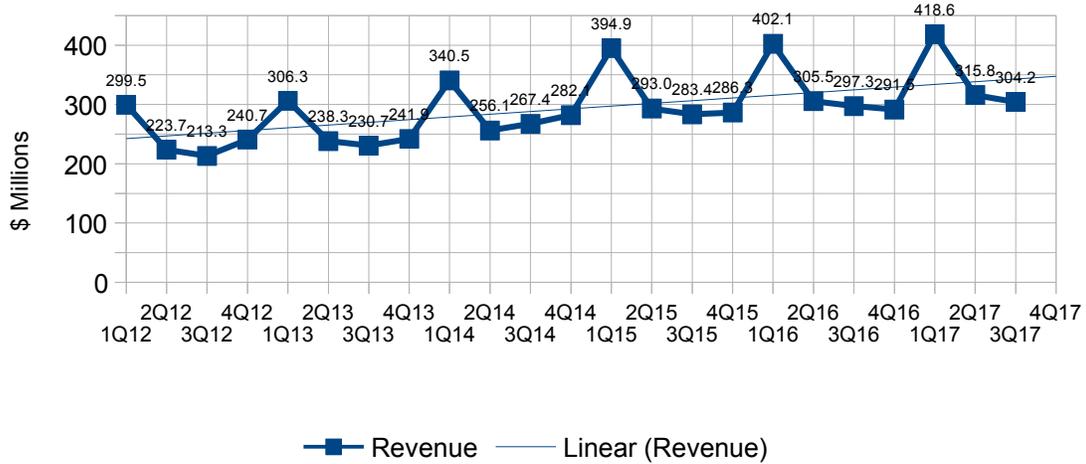
- Revenue was up only 2.3% at \$304.2 million vs \$297.3 million a year earlier. Revenue missed the estimate of \$309 million.
- Cost of goods sold increased 3.16%, more than the increase in revenue.
- Labor increased 3.82%, more than the increase in revenue.
- Gross margin declined to 41.5% vs 42.2%.
- Net Income was \$2.714 million, below estimates of \$3.3 million.
- EPS was \$0.21 vs -\$0.10, below estimates of \$0.30.
- Franchise royalties declined 8.7% to \$3.1 million vs \$3.4 million.
- Same store sales declined again, -0.1%.
- Average Check declined -0.1%, Menu mix -1.6%, Increased prices +1.5%.
- Guest count was flat.
- Restaurant level operating profit margin declined to 17.4% vs 18.6%.
- Franchise weekly revenue declined 3%, Company stores +0.4%.
- Leverage ratio 4.2x.
- Opened 7 new stores.

Guidance

- 4Q EPS: \$0.45 to \$0.60 vs previous estimate of \$1.00.
- 2017 EPS: \$2.16 to \$2.31 vs previous estimate of \$3.00.
- Same store sales for 2017: zero to +0.5%.
- Will only open 2 new stores in 4Q.
- Will stop all new store openings after 2018.

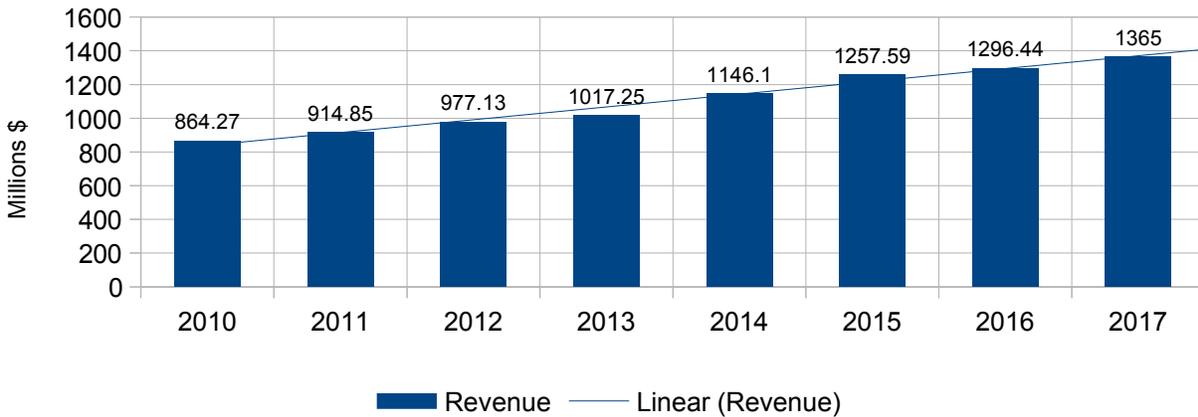
RRGB Revenue

2012 to 2017 Est



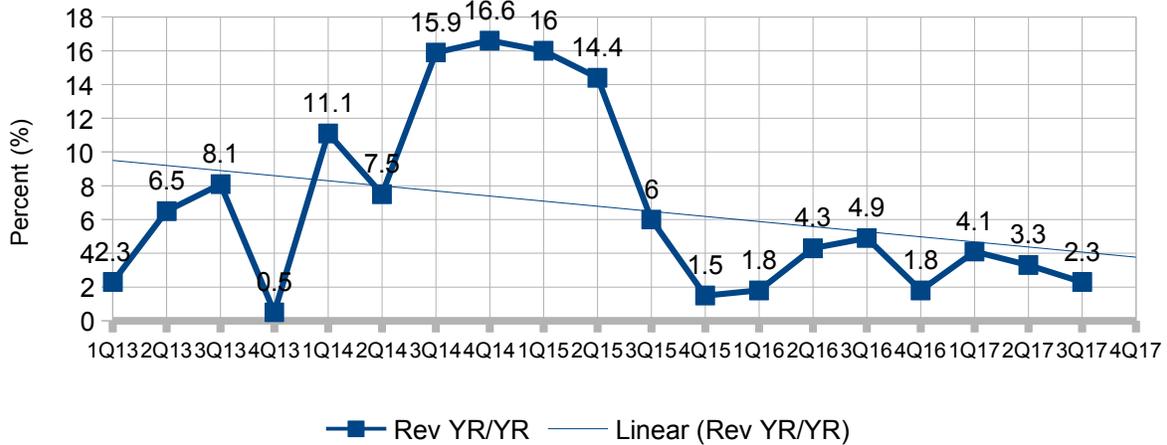
RRGB Revenue

2010 To 2017 Est.



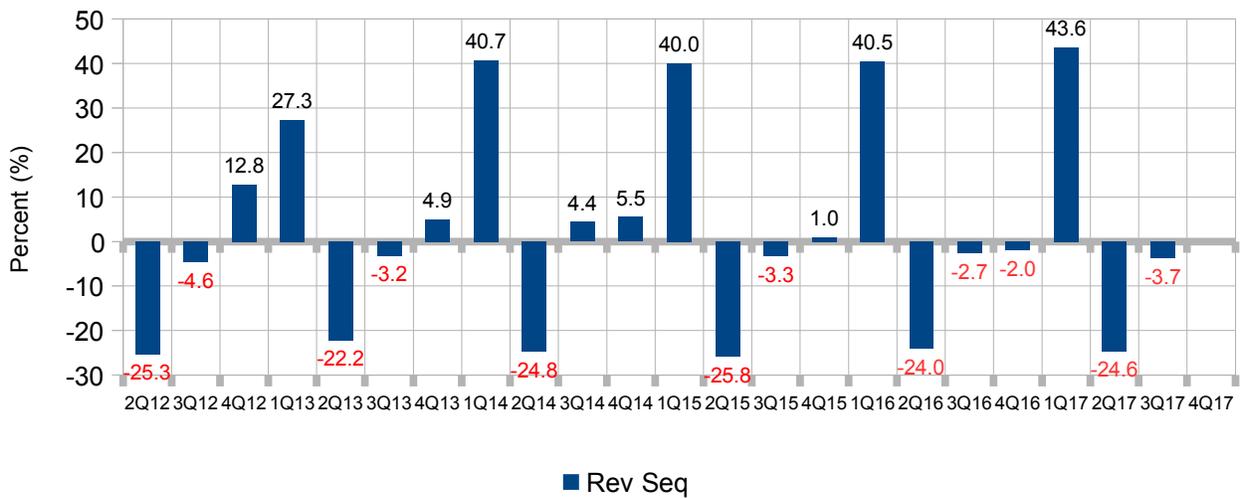
RRGB YR/YR Revenue Growth

2013 To 2017 Est



RRGB Sequential Revenue Growth

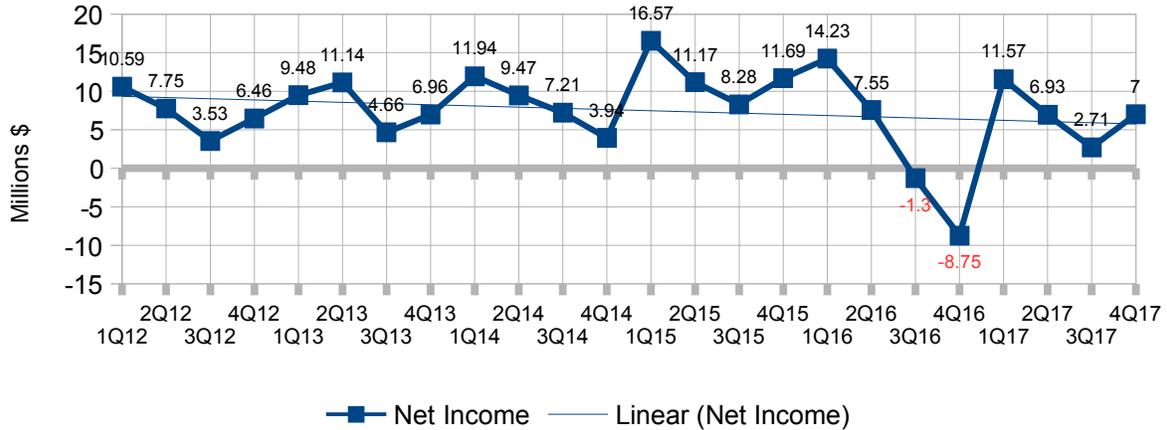
July 2012 To 2017 Est.



Year over year revenue growth continues to be below trend.

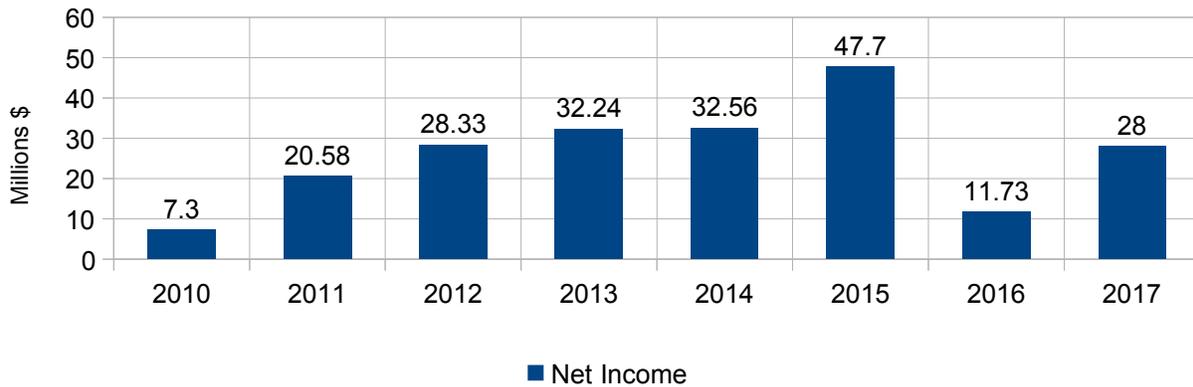
RRGB Net Income

2012 To 2017 Est.



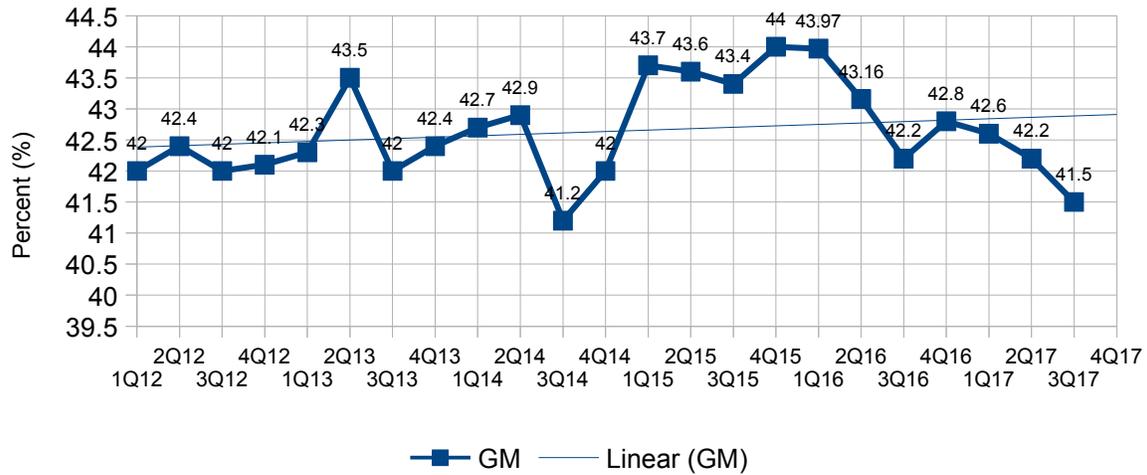
RRGB Net Income

2010 To 2017



RRGB Gross Margin

2012 To 2017



Gross margin has been declining for two years with no sign of a letup!

RRGB Operating Income

2012 To 2017



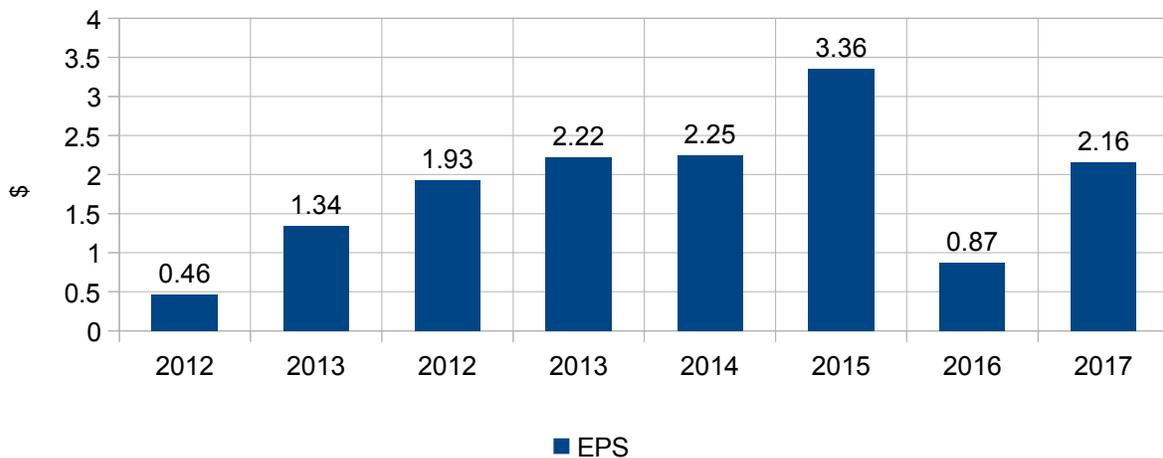
RRGB Earnings Per Share

2012 To 2017 Est.



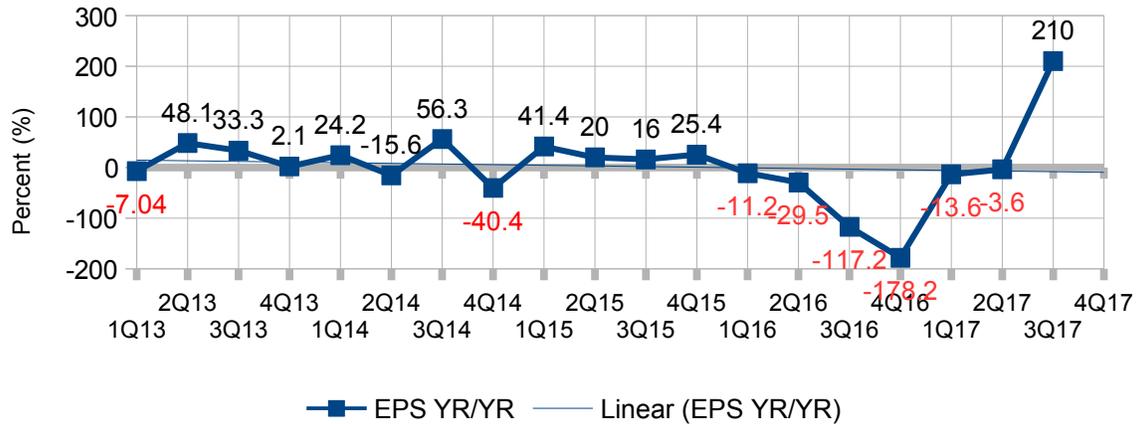
RRGB Earnings Per Share

2012 To 2017 Est.



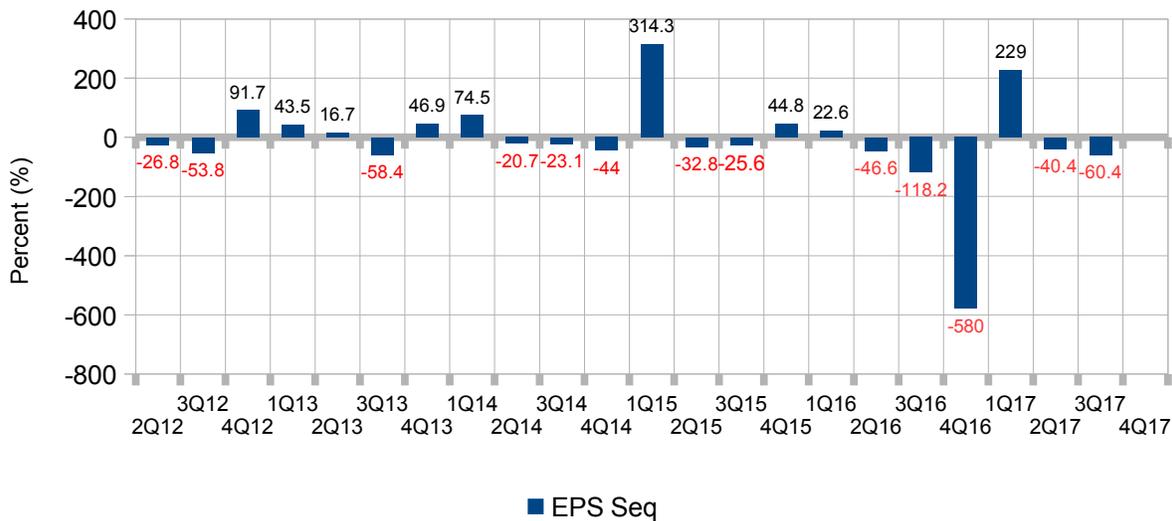
2017 earnings per share are likely to be below 2013.

RRGB EPS YR/YR Growth 2013 To 2017



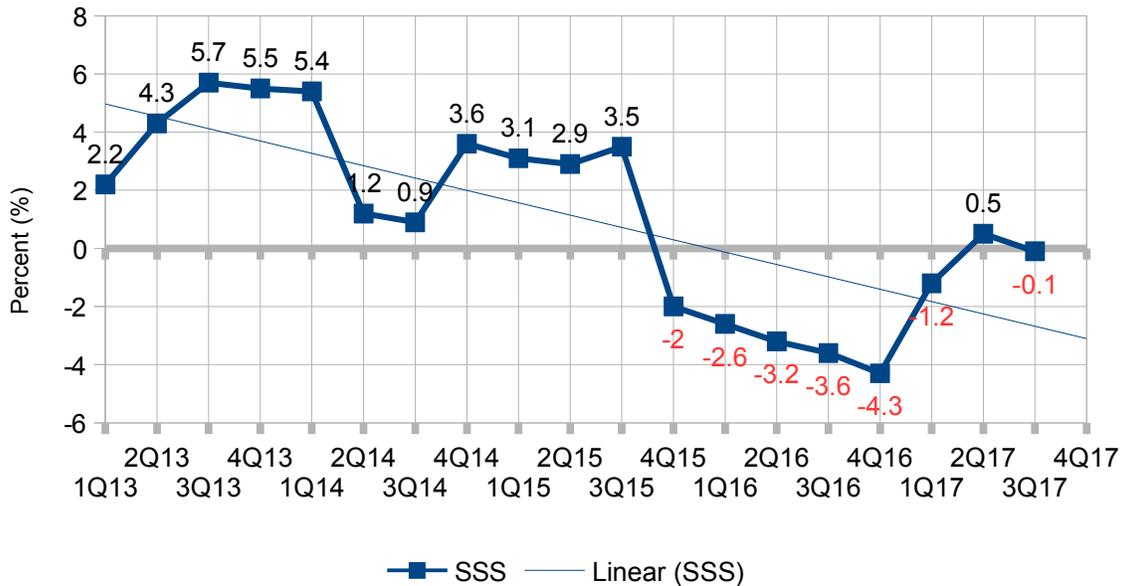
This chart is not as good as it looks. Third quarter 2016 was a loss of 10 cents, so a 21 cent quarter looks good on a percentage basis, but 21 cents is far below estimates of 30 cents.

RRGB Sequential EPS Growth 2013 To 2017



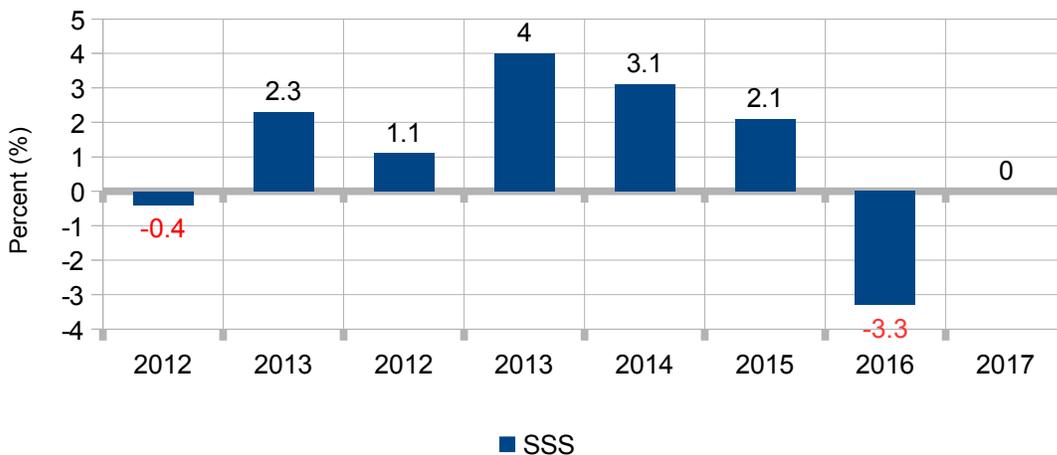
RRGB Same Store Sales (SSS)

2013 To December 2017 Est.



RRGB Same Store Sales

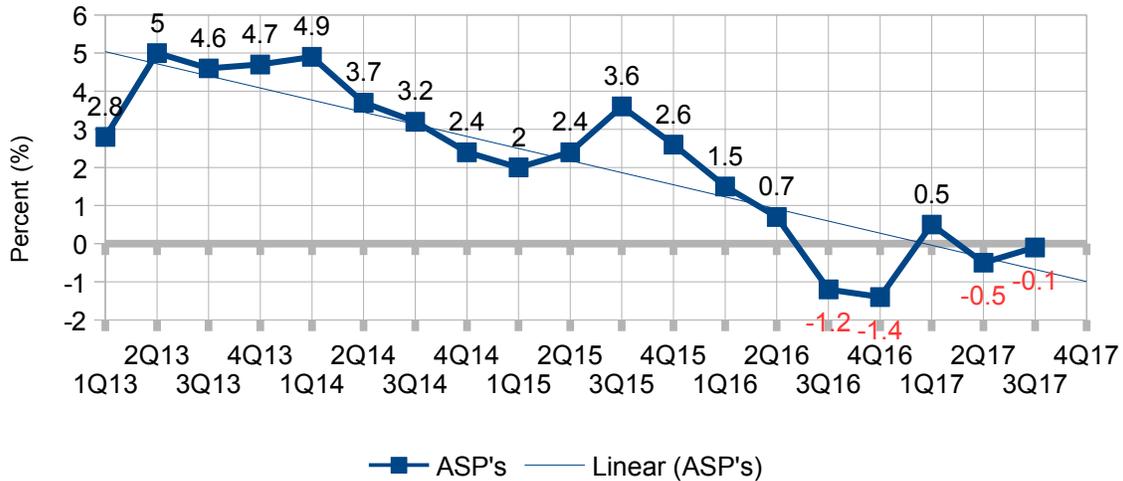
2012 To 2017



Same store sales have been horrible for years!

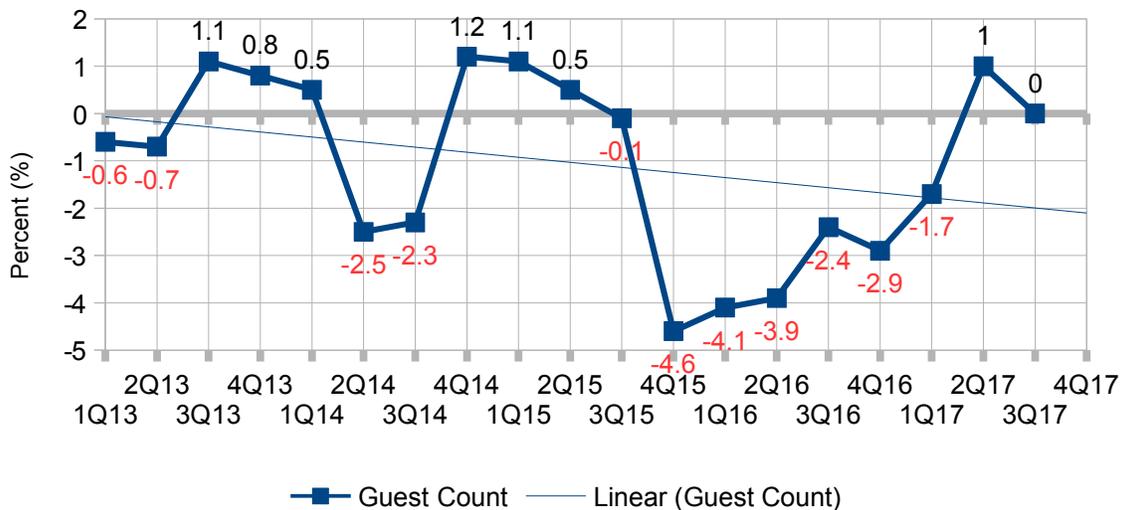
RRGB Average Selling Price (ASP's)

2013 To 2017 Est.



RRGB Guest Count

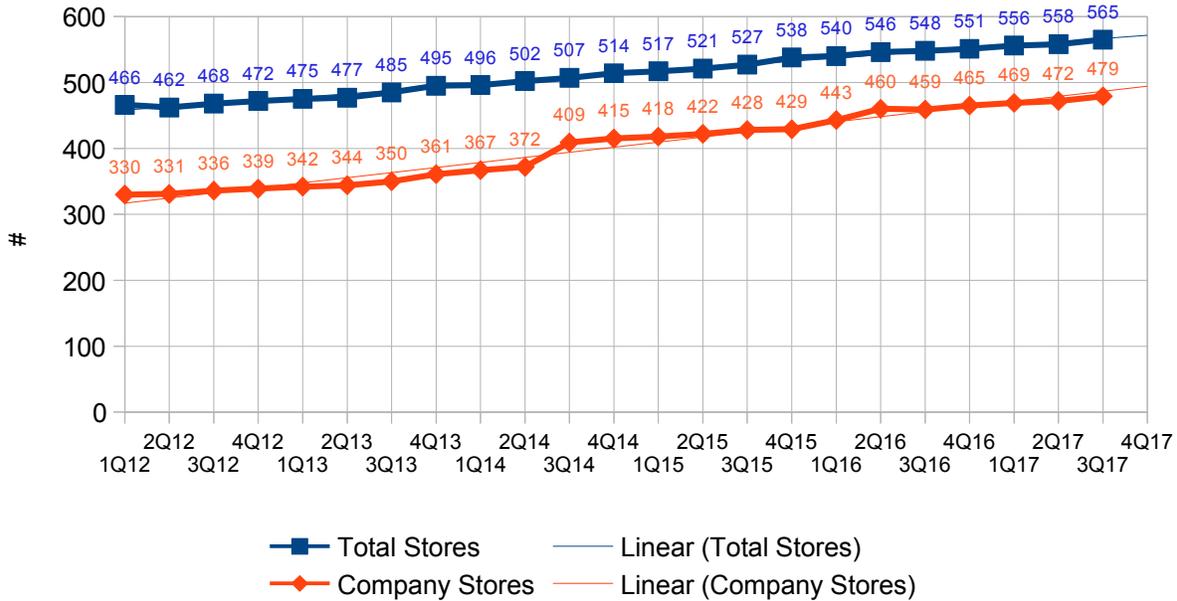
2013 To 2017 Est.



Guest count has improved from disaster to merely terrible.

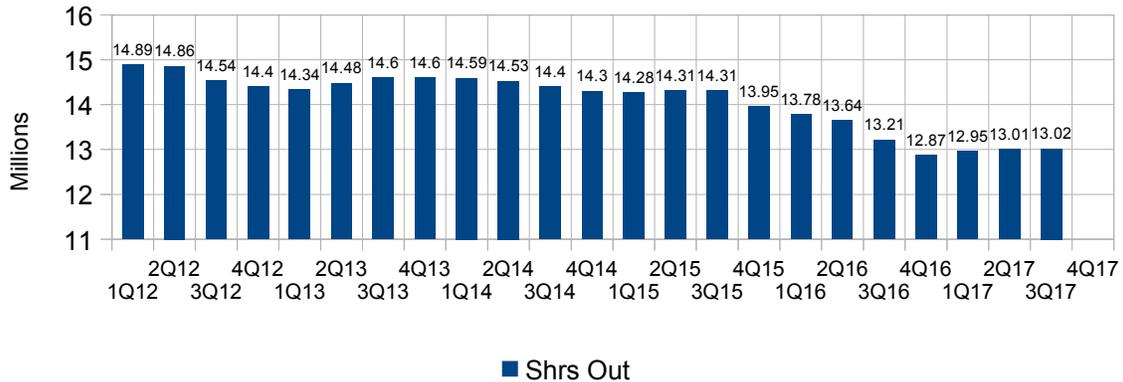
RRGB Stores

2012 To December 2017 est.



RRGB Shares Outstanding

2012 To 2017



Previous Track Record RRGB

1. Short 9-24-15 @ \$78.11

Cover ½ 1-5-16 @ \$58.75, Profit \$21.36, +27.3%

Cover ¼ 5-18-16 @ \$49.92, Profit \$28.19, +36.1%

Cover ¼ 9-28-16 @ \$44.90, Profit \$33.21, +42.5%

Avg cover price: \$53.08, **Profit \$25.03, +32.0%****Holding period: 3.5 mo, 8 mo, 12 mo.**

2. Short 11-12-16 @ \$63.00

3. Short 2-24-16 @ \$63.50

Avg Short Price: \$63.25

Cover ½ 5-18-16 @ \$49.92, Profit \$13.33, +21.1%

Cover ½ 9-28-16 @ \$44.90, Profit \$18.35, +29.0%

Avg cover price: \$47.41, **Profit \$15.84, +25.0%**

Holding period: 6 mo, 10 mo, 3 mo, 6 mo.

4. Short 6-7-16 @ \$54.57

5. Short 8-24-16 @ \$51.95

Avg Short price: \$53.26

Cover 100% 9-28-16 @ \$44.90, **Profit \$8.36, +15.7%****Holding period: 3.5 mo, 1 mo.**

6. Short 12-12-16 @ \$53.80

Cover ½ 8-8-17 @ \$53.75, Profit \$0.05, +0%

Cover ½ 11-13-17 @ \$47.55, Profit \$6.25, +11.6%

Avg Cover Price: \$50.65, Avg Profit: \$3.15, +6.2%

7. Short 1-12-17 @ \$51.60

Cover ½ 8-8-17 @ \$53.75, Loss \$2.15, -4.2%

Cover ½ 11-13-17 @ \$47.55, Profit \$4.05, +7.9%

Avg Cover price: \$50.65, Avg Profit: \$0.95, Profit +1.9%

8. Short 5-22-17 @ \$72.95

Cover ½ 8-8-17 @ \$53.75, **Profit \$19.20, +26.3%**Cover ½ 11-13-17 @ \$47.55, **Profit \$25.40, +34.8%**Avg cover price: \$50.65, **Avg Profit \$22.30, +30.6%**

9. Short 7-16-17 @ \$63.45

Cover ½ 8-8-17 @ \$53.75, **Profit \$9.70, +15.3%**Cover ½ 11-13-17 @ \$47.55, **Profit \$15.90, +25.1%**Avg cover price: 50.65, **Avg profit \$12.80, +20.2%**