Ruths Hospitality Group, Inc.
Form DEFA14A
January 11, 2010

SCHEDULE 14A

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the registrant x Filed by a party other than the registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

x Soliciting Material under Rule 14a-12

RUTH S HOSPITALITY GROUP, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (Check the appropriate box.):

x No fee required

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

---

(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated, and state how it was determined.):

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(4) Proposed maximum aggregate value of transaction:

---

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(1) Amount previously paid:

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(2) Form, schedule, or registration statement no.:

---

(3) Filing party:

---

(4) Date filed:

This filing consists of a presentation prepared by Ruth s Hospitality Group, Inc. (the Company) to explain certain aspects of the proposed financing transactions announced on December 22, 2009.

Additional Information

The Company has filed a registration statement (including a prospectus) with the Securities and Exchange Commission (the SEC) (File No. 333-160231) and intends to file a prospectus supplement with respect to the proposed rights offering. Before you invest, you should read the prospectus and, when filed, the prospectus supplement and other documents the Company has filed with the SEC for more complete information about the Company and the rights offering.

In connection with the proposed financing transactions announced on December 22, 2009, the Company intends to file a definitive proxy statement with the SEC and to mail the definitive proxy statement to the Company s shareholders. The Company and its directors and officers may be deemed to be participants in the solicitation of proxies from the Company s shareholders in connection with the financing transactions. Information about the Company s directors and executive officers and their ownership of its securities will be set forth in the definitive proxy statements to be filed by the Company with the SEC.

Stockholders and investors should read the definitive proxy statement and the prospectus supplement carefully before making any voting or other investment decision because these documents will contain important information.

January 2010
Issuer Free Writing Prospectus
Filed Pursuant to Rule 433
Registration Statement No. 333-160231

Disclaimer
This
presentation
contains
forward-looking
statements
that

reflect, when made, the expectations of Ruth s Hospitality Group, Inc. ("Ruth's" or the Company) or beliefs concerning future events that involve risks and uncertainties. Forward-looking statements frequently are identified by the words believe, anticipate, expect, estimate, intend, project, will be, will continue, will likely result or other similar words and phrases. Similarly, statements herein that describe the Company s objectives, plans or goals also are forward-looking statements. Actual results could differ materially from those projected, implied or anticipated by the Company s forward-looking statements. Some of the factors that could cause actual results to differ include the risk factors identified in the reports the Company files with the Securities and Exchange Commission (the SEC), including its Annual Report on Form 10-K for the fiscal year ended December 28, 2008 and subsequently filed Quarterly Reports on Form 10-Q, all of which are available on the SEC s website at www.sec.gov.

All forward-looking statements are qualified in their entirety by this cautionary statement, and the Company undertakes no obligation to revise or update this presentation after the date hereof.

The Company has filed a registration statement (including a prospectus) with the SEC (File No. 333-160231) and intends to file a prospectus supplement with respect to its proposed common stock rights offering. Before you invest, you should read the prospectus and, when filed, the prospectus supplement and other documents the Company has filed with the SEC for more complete information about the Company and the rights offering.

In connection with the Company s proposed private placement transaction, the Company has filed a preliminary proxy statement with the SEC and intends to file a definitive proxy statement and to mail the definitive proxy statement to the Company s shareholders. The Company and its directors and officers may be deemed to be participants in the solicitation of proxies from the Company s shareholders in connection with the private placement transaction. Information about the Company s directors and executive officers and their ownership of its securities will be set forth in the definitive proxy statement to be filed by the Company with the SEC.

When available, you may obtain the foregoing documents, including the prospectus supplement and the preliminary and definitive proxy statements, for free by visiting the SEC s website at www.sec.gov. In addition, copies of the prospectus

and
prospectus supplement for the rights offering may be obtained, when available, from the information agent to be identified in the prospectus supplement. Investors should read the definitive proxy statement and the prospectus and prospectus supplement carefully before making any voting or investment decision because these documents will contain important information.
1

Positions Ruth s as one of the best capitalized upscale steakhouse
chains
Provides
management
with
flexibility
to

operate
the
business
for
long-
term success
Provides approximately $50 million of available bank revolver capacity at attractive rates and a 5-year term
Increases capital expenditure baskets to enable the Company to take advantage of opportunistic growth opportunities
Brings in a successful, experienced restaurant investor, Bruckmann, Rosser, Sherrill & Co. (BRS), whose representative will serve on the board
Allows
current
shareholders
participating
in
the
rights
offering
to
limit
their dilution and allows all shareholders, if the transaction closes, to benefit from the Company s improved financial position
Rationale for Raising Additional Equity
2

Transaction Details
Sale to BRS in a private placement of Series A 10% Convertible Preferred Stock for an aggregate purchase price of $25.0 million (the Private Placement)

Private Placement is conditioned upon:
Completing
a

Common
Stock
rights
offering
raising
at
least
$25.0
million
in
gross
proceeds (the Rights Offering)
Obtaining shareholder consent for the Private Placement

Private Placement conversion price will be set at a 15.0% premium to the Rights
Offering,
with
a
minimum
conversion
price
of
$2.90
per
share
and
a
maximum
conversion price of $3.25 per share
Conversion price subject to customary anti-dilution adjustments

BRS will be entitled to designate or nominate one board member so long as they own
at
least
5.0%
of
total
voting
power
of
the
common
stock
on
an
as
converted
basis
Company
will

conduct the Rights Offering, with gross proceeds of up to $35.0 million in cash assuming full participation

The Rights will be transferable and will allow for over-subscription in certain circumstances
Net proceeds of the Private Placement and the Rights Offering will be used to repay debt outstanding under the Company s revolving credit facility
A bank amendment providing covenant relief and extending the maturity of the Company s credit agreement will become effective upon meeting certain conditions, including obtaining at least $42.5 million in net proceeds from the Private Placement and the Rights Offering
3

The Company has structured a portion of the equity raise in the form of a Rights Offering in order to allow existing shareholders to participate in its recapitalization and to minimize their ownership dilution

Illustrative Ownership Analysis

(1) Assumes that

all
of
the
Rights
that
are
exercised
are
exercised
by
existing
shareholders,
all
of
whom
exercise
their
Rights
in
full.
4
Illustrative Assumptions
Current Common Shares Outstanding (in millions)
24.163
Current Stock Price (1/8/2010)
$2.77
Convertible Preferred Stock
$25.0
Implied Conversion Price of Convertible Preferred Stock Investment
$3.19
Common Shares Issuable upon Conversion of the Convertible Preferred Stock (in millions)
7.848
Illustrative Ownership Analysis
Minimum Rights Offering Proceeds ($ in millions)
$25.0
Ownership and Participation
Participating Shareholders and Exercised Rights Percentage
71.4%
Non-participating Shareholders and Non-exercised Rights Percentage
28.6%
Post Transaction Ownership (As Converted Basis)
Participating Holders
(1)
64.1%
Ownership Dilution from Convertible Preferred Stock Issuance
(7.4%)

Sources of Funds
Uses of Funds
BRS Investment
25.0
$
Revolver Paydown
45.5

$
Min. Rights Offering Proceeds
25.0
Estimated Fees & Expenses
4.5

Total Sources of Funds
50.0
$
Total Uses of Funds
50.0
$
Debt Capitalization as of FYE 2009
Actual
Leverage
Ratio
(1)
Pro Forma
(2)
Leverage
Ratio
(1)
Revolving Credit Facility
125.5
$
3.24x
80.0
$
2.07x
Total Debt
125.5
$
80.0
$
Source: Company filings.
(1)
LTM 9/27/2009 Bank EBITDA of $38.7 million was used for the calculation of the actual and pro forma leverage ratio at FYE
accordance
with
the
terms
of
the
Company's
existing
credit
agreement.
The
debt
balance

used in the calculation of the actual and pro forma leverage ratio at FYE 2009 was the actual and pro forma debt balance at FYE 2009, and was calculated in accordance with the Compan
agreement, as amended by the proposed bank amendment. For a reconciliation of Bank EBITDA, a non-GAAP financial meas
Appendix B.

(2) The pro forma debt balance gives effect to the application of the net proceeds from the Private Placement and Rights Offering to repay indebtedness under the credit facility assuming that the transactions had been completed at FYE 2009.

The proposed Private Placement and Rights Offering consist of a minimum $50.0 million equity raise, with net proceeds used to pay down a portion of the outstanding borrowings under the Company s revolving credit facility

The equity raise will consist of a $25.0 million private investment by BRS and a minimum $25.0 million Rights Offering

Pro Forma Transaction

In 2009, the Company reduced its outstanding debt by approximately $35.0 million

($ in millions)

5

Current Management Team Accomplishments
Hired new Chief Operating Officers (Kevin Toomy and Sam Tancredi)
Launched brand positioning study
Implemented initiatives to drive traffic and top-line sales
Generated labor and operating expense savings
Generated G&A expense reductions through re-aligning corporate

support and restructuring field supervision
Established focus on generation of cash flow and reduction of balance sheet leverage

Completed sale-leaseback transaction of 5 Company-owned restaurants

Sold corporate headquarters building

Eliminated new Company-owned restaurant development
6

Company Overview
7

Ruth s Hospitality Group Highlights
Iconic Upscale
Steakhouse
Brand
Broad
Demographic
Appeal

Strong Restaurant Base with Solid Unit Economics

Highly Experienced and Committed Management Team

Premier Upscale-casual Seafood Concept

Stable Franchise Base Generating Consistent Revenue Stream

8

Ruth s Chris history

44+ years in business as segment leader

64 Company-owned and 66 franchisee-owned restaurants in 30 states

2008 / 2009 Recognition

Best
Restaurant
to
Seal
the
Deal
-
Orlando
Magazine
Best Steakhouse Runner-up, Best Place Special Occasion -
Sacramento Magazine
Best
Overall,
Best
Steakhouse
-
Seminole
Magazine
Best
Food, Best Overall -
Open Table Diner Choice,
Phoenix/Scottsdale
Best Steakhouse -
VisitDetroit.com
92 Locations Awarded the **Wine Spectator Award of Excellence**
Best of the Best -
Luxury Institute Survey
Ruth s Chris Steak House Segment Overview
9

Largest Upscale Steakhouse
Restaurant Locations versus Competitors
Average Check Per Customer versus Competitors
$
70
97
81

73
74
79
70
75
60
79
105
Source: Company filings, Wall Street research and Company presentations. Ruth s Chris data as of year-end 2009.
10
130

Ruth s Chris Steak House Footprint
HI
Company-owned Ruth s Chris Steak House Locations
Franchisee-owned Ruth s Chris Steak House Locations
International Locations:
Aruba
Calgary, Canada

Edmonton, Canada
Mississauga, Canada
Toronto, Canada
Hong Kong
Queensway, Hong Kong
Tokyo, Japan
Cabo San Lucas, Mexico
Cancun, Mexico
San Juan, Puerto Rico
Kaohsiung, Taiwan
Taichung, Taiwan
Taipei, Taiwan
Dubai, UAE
11

Broad Appeal of Concept
Purpose of Visit
Appeals to Men and Women
Appeals to Wide Age Demographic
Source: Based on an independent survey conducted in 2007.
12

Attractive Sales Mix
Ruth s Chris Steak House s higher margin wine and alcoholic beverage sales have remained stable

since 2008,
generating
approximately 25%
of revenues
Ruth s Chris Steak House s signature steaks, diverse accompaniments
and extensive wine and liquor offerings drive guest appeal and generate
an attractive sales mix
Source: Company data for LTM 9/27/2009.
13

Strong Franchise Positioning
Strength of franchise system

27 franchisees operating 51 domestic and 15 international locations in 21 states and 8 countries

All franchisees are current on their royalty payments as of FYE 2009

Recent growth
7 new franchised restaurants in 2008 and 6 new franchised
restaurants in 2009
International
market
expansion

Aruba
2008,
Dubai
2009,
San
Juan
2009

Business model with both Company-owned and franchisee-owned
restaurants is unique in the upscale steakhouse segment
Provides
approximately
$10

$12
million
in
aggregate
annual
royalty
fees
Allows system growth without additional Company capital
14

Profile of Franchise System
First franchise opened in 1976 in Baton Rouge, LA
Unlevered
franchise
system
provides
stability

and
enables
future
growth
Allows for development in secondary and tertiary markets
Recurring, high margin revenue stream
Franchise
Breakdown
Franchisees
Units Owned
by
Franchisees
% of
Franchised
Units
Average
Tenure
Single Unit
15
15
22.7%
14 years
2
3 Units
6
14
21.2%
14 years
4
8 Units
6
37
56.1%
17 years
Total
27
66
100.0%
Note: Data as of year-end 2009.
15

Mitchell s Fish Market
16

Why Mitchell s Fish Market
Expansion into the seafood segment was a logical move for Ruth s

For health and other reasons, fish consumption has increased in the U.S., notably among higher-income households

National chains are increasingly taking market share away from

independent operators: the segment is consolidating
Core competencies are very similar to Ruth s Chris:

Corporate culture

High quality menu

Commitment to service

Attractive unit level economics
17

Mitchell s Fish Market Segment Overview
Mitchell s Fish Market

Acquired by Ruth s Hospitality Group in February 2008

Celebrated 10 year anniversary in 2008

19 restaurants in 9 states
2009 Recognition
Best Seafood
Best Seafood
Columbus Alive
City Beat Cincinnati
Best Seafood
Best Seafood / Best Fish Market
Metro Times
Hour Detroit Magazine
Best Food
Best Seafood Selection
Stamford Plus Magazine
Tampa Bay Magazine
18

Mitchell s Fish Market Summary
Upscale-casual seafood restaurant
19 locations in 9 states
Menu offers over 80 dishes with creative presentations and a focus on always fresh
A specialized fish preparation room

ensures
all
fish
is
maintained
at
36
o
F
until it is cooked
Average lunch check of approximately
$22.00, and average dinner check of
approximately $38.00
(1)
Recent menu changes, Fresh Bar
program and branding campaign have
improved same store sales and unit
volumes
Restaurant Highlights
Proven success in multiple markets
Seafood consumption tends to be higher
on the coasts, which are a relatively
untapped market for the Mitchell s
concept
Seafood consumption as a whole has
been increasing; focus on freshest
possible seafood is a competitive
advantage
Popular concept appeals to developers,
providing access to prime locations
Economies of scale as restaurant base
increases
Potential for franchising
Growth Opportunities
(1)
Mitchell s Fish Market average lunch and dinner checks per the Company s 2008 10-K.
19

Mitchell s Fish Market Atmosphere
20

Significant Expansion Opportunity
Restaurant Locations versus Competitors
Average Check Per Customer versus Competitors
$
19
24
25

37
38
37
34
Source:
Company
filings,
Wall
Street
research
and
Company
presentations.
Mitchell s
Fish
Market
data
as
of
year-end
2009.
21

Mitchell s Fish Market Footprint
Company-owned Mitchell s Fish Market Locations
22

Mitchell s Fish Market Business Update
Installed new leadership at the time of the acquisition
Completed integration
Implementing new marketing initiatives

Fixed price menu offerings

Marketing spend of 2.5-3.5% of sales
Pursuing franchising opportunities
(1)Sales summary reflects year over year comparisons.
(2)Comparable Company Index is based on an equal weighted average of the same store sales of Bonefish Grill and McCormic
per their public SEC filings.
Sales Summary
(1)
Q3 09
Q4 09
Mitchell s Fish Market
-10.1%
-2.6%
Comparable
Company
Index
(2)
-12.3%
N/A
23

Financial Overview
24

Financial Performance Overview
Despite pressure on the top-line, the Company has successfully increased its Adjusted EBITDA margin during the periods shown below
The Company has also exceeded its goals of generating free cash flow and paying down debt
Revenue
and Adjusted EBITDA Margin Comparison

Free Cash Flow
(2)
and Debt Comparison
FCF
$5.1
$20.8
($3.7)
$12.0
Debt
$160.3
$148.5
$166.9
$148.5
(1)
For a reconciliation of Adjusted EBITDA, a non-GAAP financial measure, to net income, see Appendix B. Adjusted EBITDA
severance payments, hurricane and relocation costs and other costs, cash write-offs of the Manhattan UN Facility and Mitchell's Fish Market pro forma EBITDA prior to acquisition.
(2)
Free Cash Flow represents net cash provided from operating activities minus

acquisition
of
property
and
equipment.
Data
is
as
of
period
end.
See
Appendix C for a reconciliation of Free Cash Flow to cash flows from operating activities.
($ in millions)
25

Q3 2009 and Q3 2009 YTD Review
Food and Beverage Cost Improvement

Primarily driven by favorable beef costs
Restaurant Operating Expense Improvement

Execution of operations initiatives

Reduced Capital Expenditures

Spent $0.5 million in Q3 2009, $3.3 million through Q3 2009 YTD
Stable Leverage Ratio
(1)

At 3.92x at end of Q3 2009
Maximum leverage ratio under the credit agreement was 4.80x as of that date
EPS

($0.04) in Q3 2009 versus ($0.02) in Q3 2008

$0.22
(2)
in Q3 2009 YTD versus $0.29 in Q3 2008 YTD
(1)
Leverage ratio is defined as outstanding borrowings under the the Company s revolving credit facility and outstanding letters of credit at period end divided by LTM Bank EBITDA (calculated in accordance with the terms of the credit agreement). Excluding the $3.2 million of outstanding letters o
proposed amendment to the credit agreement), the leverage ratio would have been 3.84x at 9/27/2009. For a reconciliation of L
Appendix B.
(2)
Q3 2009 YTD EPS included a one-time expense related to a loss on the disposal of property and equipment of $1.0 million du
home office land and building in Metairie, Louisiana, which represented a decrease in earnings of approximately $0.03 per sha
26

Performance on Key Company Initiatives
Cost Savings Initiatives

Introduced staggered scheduling, changed menu and preparation process, achieved concessions on pricing, eliminated services and implemented internal programs for utilities

Eliminated approximately 60 corporate positions by re-aligning corporate support and restructuring field supervision

Established a new approval system for all capital and travel expenditures

Reduced G&A expense by approximately $6.9 million during the first nine months of 2009 (versus prior year)
Focus on Cash Flow Generation and Balance Sheet Leverage Reduction
Menu and Marketing Strategy

No 2009 Company development; total capital expenditures expected to be $5.0 to 6.0 million for 2009, down from $32.0 million in 2008

Opened 6 new franchise locations during 2009

Paid down approximately $35 million in debt in 2009
Includes $9.7 million debt paydown from net proceeds of recent sale of corporate headquarters building

Capital expenditure reduction:

New franchise location openings:

Debt reduction:

Introduced a Value menu, a Bistro menu, early week promotions and a private dining satellite program

Labor and operating expense savings:

G&A expense reductions:

Initiatives to drive traffic and top-line sales:
27

Ruth s Chris Steak House SSS Comparison
Comparable Sales
FY 2008
Q1 09
Q2 09
Q3 09
Q4 09

Ruth s Chris SSS
-10.2%
-18.6%
-24.3%
-23.9%
-11.2%
Knapp Track
(1)
SSS
-9.6%
-19.0%
-22.9%
-20.6%
-9.7%
Ruth s SSS vs.
Knapp Track
(1)
SSS
-0.6%
0.4%
-1.4%
-3.3%
-1.5%
(1)
Upscale steak segment index, which includes Ruth s Chris, Flemings, Smith & Wollensky, Sullivan s, Del Frisco, Capital Gr
and Silver Fox.
Ruth s Chris Steak House Company-owned Comparable Restaurant
Sales
Traffic
Comparison
FY 2008
Q1 09
Q2 09
Q3 09
Q4 09
Ruth s Traffic vs.
Knapp Track
(1)
Traffic
+0.7%
+2.6%
+0.7%
-5.4%
-4.5%
Ruth s Chris Steak House Company-owned Comparable
Restaurant Traffic
28

Continued interest in franchise ownership remains strong

6 new openings in 2009:
Greenville, SC
Dubai, UAE
St. Louis, MO
Durham, NC

Kennesaw, GA
San Juan, Puerto Rico
signed a two unit franchise development agreement
(the first restaurant opened in San Juan on November 23, 2009)

Salt Lake City
new franchisee agreement signed
Stable Revenue Stream from Franchise System
Franchise Royalties and Restaurant Count
($ in millions)
29

(1)
For a reconciliation of Adjusted EBITDA and Bank EBITDA to net income, see Appendix B.
(2)
Bank EBITDA is Adjusted EBITDA, a non-GAAP financial measure, further adjusted to exclude severance payments, hurrica
other
costs,
cash

write-offs of the Manhattan UN Facility and Mitchell's Fish Market pro forma EBITDA prior to acquisition, each of which are excluded pursuant to the terms of the Company s credit agreement. For a reconciliation of Bank EBITDA to net income, see Appendix

(3) Excluding letters of credit in the amount of $3.2 million at the end of Q3 2008 and Q3 2009, the leverage ratio would have been 3.25x and

3.84x
at
the
end of Q3 2008 and Q3 2009, respectively.
Fiscal Year Q3 2009 and Q3 2009 YTD Review
($ in millions)
30
Ruth's Hospitality Group's Year-to-Date Performance Comparison
Actual
Actual
Prior
Q3 2009
Q3 2009 YTD
Q3 2008 YTD
B(W)
Revenues
Total Restaurant Revenues
$75.6
$253.8
$291.8
($38.1)
Franchise and Other Revenues
2.2
9.5
12.4
(2.9)
Total Revenues
$77.8
$263.2
$304.2
($41.0)
Food and Beverage Costs
21.5
72.5
91.9
19.4
Restaurant Operating Expenses
43.4
139.3
147.1
7.8
Marketing
1.8
8.2
10.9
2.7
G&A
5.4
16.7
23.6

7.0
Depreciation
4.1
12.4
12.3
(0.1)
Pre-opening
0.0
0.0
2.5
2.4
Loss on Impairment
0.0
0.3
0.0
(0.3)
Restructuring Expenses
0.4
0.4
0.0
(0.4)
Loss on Disposal of Property and Equipment
0.1
1.0
0.1
(0.9)
Operating Income
$1.0
$12.4
$15.8
($3.4)
Adjusted EBITDA
(1)
$6.2
$29.2
$31.9
($2.7)
LTM Bank EBITDA
(1) (2)
$38.7
$38.7
$51.4
($12.7)
Debt
$151.7
$151.7
$170.1
$18.4
Debt / LTM Bank EBITDA
(1) (2) (3)

3.92x
3.92x
3.31x
(0.61x)

Financial Guidance
FY 2009 guidance provided to the Street (as of October 30, 2009)

Comparable sales of high negative double digits

Cost
of

sales
of
28.5%

29.5%

Marketing
spend
of
3.0%

3.3%
of
sales

G&A
expense
of
$22.5

$24.0
million

Tax
rate
of
17%

20%

Capital
expenditures
of
$5

$6
million
for
maintenance
and
remodels
Reported comparable store sales of -11.2% for Q4 2009 (vs. Q4 2008)
31

Appendix A
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Rights Offering Size:
Maximum gross proceeds of $35.0 million
Subscription Price:
TBD
Current Shares Outstanding:
24,162,893 shares (including 484,000 shares of unvested restricted stock)
Securities Offered:

Each
Transferable
Subscription
Right
will
represent
the
right
to
purchase
a
number of shares of Common Stock to be determined subject to
adjustments to eliminate fractional shares
Basic Subscription Privilege:
Each Right will give shareholders of record the opportunity to purchase a
number of shares of the Company s Common Stock to be determined at the
Subscription Price
Over-Subscription Privilege:
If a shareholder exercises its basic subscription privilege in full, it will also
have an over-subscription privilege in certain circumstances
Transferability:
The
Rights
will
be
transferable
and
are
expected
to
be
listed
on
NASDAQ
Key Closing Conditions:
Raising at least $25.0 million in gross proceeds in the Rights Offering and
obtaining shareholder approval for the Private Placement
Use of Proceeds:
Net
proceeds
from
the
Rights
Offering
will
be
used
to
reduce
the

Company s
outstanding indebtedness under its revolving credit facility, which will reduce
its
future
interest
expense,
increase
its
operating
flexibility,
provide
covenant
relief and extend the maturity of the indebtedness under its credit agreement
until
the
earlier
of
the
fifth
anniversary
of
the
effective
date
of
the
credit
agreement amendment or February 15, 2015
Key Terms of Rights Offering
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Key Terms of Private Placement
Aggregate face amount of $25.0 million of Series A 10.0% Convertible Preferred Stock

Dividends payable quarterly in cash or, at the Company s option, by PIK
Conversion price will be set at a 15.0% premium to the Rights Offering subscription price, with a minimum conversion price of $2.90 per share and a maximum conversion price of $3.25 per share

Conversion price subject to customary anti-dilution adjustments in the future
Optional Company redemption right after 5 years
Company conversion right after 2 years if the stock price is equal to or greater than 225% of the then applicable conversion price for a period of 20 trading days over any 30 consecutive days
Mandatory redemption obligation after 7 years or upon a change of control event
BRS will be entitled to designate or nominate one board member so long as they own at least 5.0% of total voting power of the common stock on an as converted basis
The Private Placement will vote on an as converted basis and will be granted certain registration and information rights
Proceeds to be used to repay outstanding indebtedness under the Company s revolving credit facility
Private Placement issuance conditioned upon:

The Rights Offering raising at least $25.0 million in gross proceeds

Obtaining shareholder consent for the Private Placement
The Company and BRS have various termination rights; closing is conditioned upon certain ownership and dilution thresholds after giving effect to the transactions
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Existing Credit Agreement Terms
Proposed Amended Terms
Facility:
$175MM reducing Revolver ($5MM every 6 months commencing 12/31/09)
$130MM Revolving Credit Facility
Maturity:
February 2013

February 2015 or 5 Year Anniversary
Pricing:
Leverage Covenant:
No covenants for one year. First covenant measurement date FYE2010
Incurrence test for revolver at 3.75x during FY2010
Covenants as follows (tested quarterly):
FYE2010
3.80x
FY2011
3.75x
FY2012
Q1
&
Q2

3.60x
FY2012
Q3
&
Q4

3.40x
FY2013
3.10x
FY2014
2.75x
Fixed Charge Covenant:
1.40x for Q1 09-Q4 2009
1.45x for Q1 10-Q2 2010
1.50x thereafter
No covenants for one year. First covenant measurement date FYE2010
Covenants as follows:
FY2010
through
FY2014
-
1.35x
Minimum EBITDA Covenant:
YTD adjusted EBITDA test through Q3 2009 at the following levels: $8.25MM in Q1 2009, $17.0MM YTD Q2 2009, $24.0MM YTD Q3 2009
Thereafter,
TTM
EBITDA
test
of
$33.5MM
in
Q4
2009,
$34.0mm

in
Q1
2010,
$35.0MM in Q2 2010, $35.5MM in Q3 2010 & Q4 2010
No minimum EBITDA covenant
CapEx
Limit
$12.0MM for FY2009
$10.0MM for FY2010 and thereafter
Additional
growth
CapEx
available
subject
to
passing
an
incurrence
test
for
two
consecutive quarters for FY2010 and annually through maturity:

Leverage
<
3.35x
-
$5.0MM

Leverage
<
3.25x
-
$10.0MM
$12.0MM for FY2009
$12.5MM for FY2010 and thereafter
Additional
growth
CapEx
available
subject
to
passing
an
incurrence
test
for
two
consecutive
quarters

for
FY2010
and
annually
through
maturity:

Leverage
<
3.25x
-
$7.5MM

Leverage
<
3.00x
-
$12.5MM

Leverage
<
2.50x
-
$17.5MM
Additional Baskets
None
No stock buy-back basket for FY2010; for FY2011-maturity: $25.0MM aggregate for stock buy-backs subject to pro-forma incurrence test of 3.0x leverage ratio and minimum $15MM Revolver availability
No
acquisitions
in
FY2010,
thereafter
acquisitions
governed
by
CapEx
test
Closing Condition
At least $42.5MM in net proceeds in the Private Placement and the Rights Offering
Key Terms of Credit Agreement Amendment
Leverage
LIBOR
Margin (bps)
Base Rate
Margin (bps)
Commitment
Fee (bps)

>= 4.00x
500
375
50
>=3.50x<4.00x
425
300
50
>=3.00x<3.55x
375
250
37.5
<3.00x
325
200
37.5
Leverage
LIBOR
Margin (bps)
Base Rate
Margin (bps)
Commitment
Fee (bps)
>= 4.00x
425
300
50
>=3.25x<4.00x
350
225
50
>=2.50x<3.25x
300
175
37.5
<2.50x
250
125
37.5
Q1
Q2
Q3
Q4
2008
3.75x
2009
4.75x
4.80x
4.80x
4.50x

2010
4.25x
3.85x
3.50x
3.50x
3.5x thereafter through maturity
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Appendix B
EBITDA Reconciliation
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Ruth's Hospitality Group EBITDA Reconciliation
FY 2008
Q3 2008
YTD
Q3 2009
YTD
Q3 2009

LTM
Net income (loss)
($53.9)
$6.8
$5.1
($55.5)
Interest expense
10.3
6.9
6.1
9.5
Provisions for taxes
(27.5)
2.4
1.2
(28.7)
Depreciation expense
17.0
12.5
12.4
16.9
Non-cash write-offs or impairment of restaurant assets
88.5
0.1
1.9
90.2
Ongoing non-cash GAAP costs (stock-based compensation, bank fees and other)
3.7
3.2
2.6
3.1
Adjusted EBITDA
$38.2
$31.9
$29.2
$35.4
Severance payments, hurricane and relocation costs and other
3.0
0.9
0.1
2.1
Cash write-offs of the Manhattan UN Facility
1.1
0.1
0.1
1.1
Mitchell's Fish Market pro forma EBITDA prior to acquisition
1.9
1.9
0.0

0.0
Bank EBITDA
(1)
$44.2
$34.9
$29.4
$38.7
Ruth's Hospitality Group EBITDA Reconciliation
(1)
Calculated pursuant to the terms of the Company s existing credit agreement.
($ in millions)
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Ruth's Hospitality Group EBITDA Reconciliation

Adjusted EBITDA is a supplemental measure of the Company's performance that is not required by, or presented in accordance with, generally accepted accounting principles (GAAP). Adjusted EBITDA is not a measurement of the Company's financial performance under GAAP and should not be considered as an alternative to revenue, net income (loss) or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of its liquidity. Adjusted EBITDA is defined as net income (loss), plus interest expense net of interest income, income tax provision (benefit), depreciation and amortization, and adjusted for non-cash write-offs or impairment of restaurant asset charges, stock based compensation and non-cash bank fees. Management believes that the inclusion of supplementary adjustments to EBITDA applied in presenting Adjusted EBITDA is appropriate to provide additional information to investors about one of the principal internal measures of performance used by them. Management uses the Adjusted EBITDA measure to evaluate the Company's performance and to facilitate a comparison of operating performance on a consistent basis from period to period. The Adjusted EBITDA measure has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the results as reported under GAAP. This measure may not be comparable to similarly titled measures reported by other companies.

Adjusted EBITDA per the Company's credit agreement, which we refer to as Bank EBITDA, is a supplemental measure of the Company's performance that is not required by, or presented in accordance with, GAAP. Bank EBITDA is not a measurement of the Company's financial performance under GAAP and should not be considered as an alternative to revenue, net income (loss) or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of its liquidity. Bank EBITDA is defined as Adjusted EBITDA, further adjusted for severance payments, hurricane and relocation costs and other costs, cash write-offs of the Company's Manhattan UN Facility and Mitchell's Fish Market pro forma EBITDA prior to acquisition. Bank EBITDA is used by the Company's creditors in assessing debt covenant compliance and management believes its inclusion is appropriate to provide additional information to investors about certain covenants required pursuant to the Company's indebtedness. The Bank EBITDA measure has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the results as reported under GAAP. This measure may not be comparable to similarly titled measures reported by other companies.

Appendix C
FCF Reconciliation
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Ruth's Hospitality Group FCF Reconciliation
($ in millions)
Source: Per Company filings.
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Ruth's Hospitality Group FCF Reconciliation
FY 2008
Q3 2008

YTD
Q3 2009
YTD
Q3 2009
LTM
Cash
flows
from
operating
activities:
Net income
($53.9)
$6.8
$5.1
($55.5)
Depreciation and amortization
17.0
12.5
12.4
16.9
Deferred income taxes
(29.5)
(0.9)
(0.2)
(28.8)
Non-
cash interest expense
0.3
0.2
0.9
1.0
Loss on sale or disposition of assets
0.5
0.1
1.0
1.4
Loss on impairment
81.3
0.0
0.3
81.6
Amortization of below market lease
0.2
0.0
0.1
0.3
Restructuring
8.9
0.0
0.4

9.3
Non-
cash compensation expense
2.6
2.5
1.6
1.7
Changes
in
operating
assets
and
liabilities:
Accounts receivables
(1.5)
(2.5)
5.2
6.2
Inventories
1.1
0.9
1.8
2.0
Prepaid expenses and other
(0.6)
(0.7)
0.3
0.4
Other assets
0.3
0.2
0.1
0.1
Accounts payable and accrued expenses
3.3
9.0
(4.3)
(10.0)
Deferred revenue
1.7
(7.7)
(8.6)
0.8
Deferred rent
4.8
4.9
0.4
0.3
Other liabilities
0.7

(0.0)
(1.4)
(0.6)
Net cash provided from operating activities
$37.1
$25.2
$15.3
$27.2
Acquisition of property and equipment
32.0
28.9
3.3
6.4
Free Cash Flow
$5.1
($3.7)
$12.0
$20.8