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APPLEBEES INTERNATIONAL INC

Form 8-K

April 25, 2002

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

FORM 8-K

Current Report

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

Date of Report (Date of earliest event reported) April 24, 2002

Commission File Number: 000-17962

Applebee's International, Inc.

(Exact name of registrant as specified in its charter)

Delaware

43-1461763

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

4551 W. 107th Street, Suite 100, Overland Park, Kansas 66207

(Address of principal executive offices and zip code)

(913) 967-4000

(Registrant's telephone number, including area code)

None

(Former name or former address, if changed since last report)

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Item 5. Other Events

On April 24, 2002, Applebee's International, Inc. (the "Company") issued a press release entitled "Applebee's International Reports 18 Percent Increase in

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First Quarter Diluted Earnings Per Share of 53 Cents." The press release contained the following information.

FOR IMMEDIATE RELEASE

Contact: Carol DiRaimo,
Director of Investor Relations
(913) 967-4109

Applebee's International Reports 18 Percent Increase in First Quarter Diluted Earnings Per Share of 53 Cents

Overland Park, Kan., April 24, 2002 -- Applebee's International, Inc. (Nasdaq:APPB) today reported net earnings of \$20.3 million, or 54 cents and 53 cents per share on a basic and diluted basis, respectively, for the first quarter ended March 31, 2002. This represents an increase in earnings per share of 20 percent and 18 percent on a basic and diluted basis, respectively, as compared with 45 cents per share on both a basic and diluted basis for the first quarter of 2001.

System-wide comparable sales exceeded the company's expectation of zero to 2 percent, increasing 3.5 percent for the first quarter. Comparable sales increased 4.1 percent for franchise restaurants and 1.5 percent for company restaurants.

The company also reported comparable sales for the March fiscal period, comprised of the five weeks ended March 31, 2002. System-wide comparable sales increased 1.5 percent, reflecting a 2.2 percent increase for franchise restaurants and a 0.7 percent decrease for company restaurants. The decrease in comparable sales for company restaurants reflects a decline in guest traffic of 2.5 to 3.0 percent, offset in part by a higher average check. March comparable sales were negatively impacted by the shift of the Easter holiday and unfavorable weather in several company markets.

Lloyd L. Hill, chairman and chief executive officer, said, "Despite the continued uncertainty in the economy, we were pleased that system-wide comparable sales for the quarter exceeded our expectations. While March sales were lower than recent trends due to the timing of Easter, we expect system-wide comparable sales for the April fiscal period to be in excess of 3.0 percent, including the positive impact of the holiday shift."

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"During the quarter, we continued to devote additional resources to our people strategies through increased management staffing levels, incentive compensation and retention programs. While having a near-term impact on our restaurant margins, these investments are designed to improve execution, resulting in higher guest satisfaction, and are critical to building sales and traffic over the long-term. As a result of our sales performance so far this year, combined with our strong value proposition and the investments we have made in our people strategies, we now expect system-wide comparable sales for the remainder of the year to increase by at least 2 percent."

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Hill concluded, "We ended the quarter with over 1,400 restaurants operating system-wide, more than our next two competitors combined. We believe that this dominant market position, along with demographic and lifestyle trends, our food and menu initiatives, marketing strategies and franchise business model will continue to provide a solid foundation for future growth."

Other results for the first quarter ended March 31, 2002 included:

- o System-wide sales for the Applebee's concept were a record \$795.1 million for the first quarter ended March 31, 2002, an increase of nearly 12 percent over the prior year.
- o Operating revenues (comprised of company restaurant sales and franchise income) reached \$199.8 million for the first quarter, an increase of nearly 10 percent over the prior year.
- o Applebee's ended the quarter with 1,404 restaurants system-wide (314 company and 1,090 franchise restaurants). During the first quarter of 2002, there were 13 new Applebee's restaurants opened system-wide, including 4 company and 9 franchised restaurants.
- o The company repurchased 250,000 shares of common stock in the first quarter at an average price of \$33.30 for an aggregate cost of \$8.3 million. The company's 2001 stock repurchase authorization has been extended for fiscal year 2002, of which \$12.3 million currently remains available.

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APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(in thousands, except per share amounts)

	13 Weeks Ended	
	March 31, 2002	Apr 2
Revenues:		
Company restaurant sales.....	\$ 174,973	\$ 16
Franchise income.....	24,840	2
Total operating revenues.....	199,813	18
Cost of Company restaurant sales:		
Food and beverage.....	47,407	4
Labor.....	57,457	5
Direct and occupancy.....	42,872	4
Pre-opening expense.....	335	
Total cost of Company restaurant sales.....	148,071	13
General and administrative expenses.....	19,246	1

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Amortization of intangible assets.....	138	
Loss on disposition of restaurants and equipment.....	294	
	-----	-----
Operating earnings.....	32,064	2
	-----	-----
Other income (expense):		
Investment income.....	397	
Interest expense.....	(633)	(
Other income.....	101	
	-----	-----
Total other expense.....	(135)	(
	-----	-----
Earnings before income taxes.....	31,929	2
Income taxes.....	11,654	
	-----	-----
Net earnings.....	\$ 20,275	\$ 1
	=====	=====
Basic net earnings per common share (a).....	\$ 0.54	\$
	=====	=====
Diluted net earnings per common share (a).....	\$ 0.53	\$
	=====	=====
Basic weighted average shares outstanding (a).....	37,252	3
	=====	=====
Diluted weighted average shares outstanding (a).....	38,218	3
	=====	=====

(a) All earnings per share and weighted average share information reflects a three-for-two stock split effective at the close of business on June 12, 2001.

The following table sets forth, for the periods indicated, information derived from the Company's consolidated statements of earnings expressed as a percentage of total operating revenues, except where otherwise noted. Percentages may not add due to rounding.

	13 Weeks Ende	
	March 31,	A
	2002	
	-----	-----
Revenues:		
Company restaurant sales.....	87.6%	
Franchise income.....	12.4	
	-----	-----
Total operating revenues.....	100.0%	
	=====	=====
Cost of sales (as a percentage of Company restaurant sales):		
Food and beverage.....	27.1%	

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Labor.....	32.8	
Direct and occupancy.....	24.5	
Pre-opening expense.....	0.2	
	-----	-----
Total cost of sales.....	84.6%	=====
	-----	-----
General and administrative expenses.....	9.6%	
Amortization of intangible assets.....	0.1	
Loss on disposition of restaurants and equipment.....	0.1	
	-----	-----
Operating earnings.....	16.0	-----
	-----	-----
Other income (expense):		
Investment income.....	0.2	
Interest expense.....	(0.3)	
Other income.....	0.1	
	-----	-----
Total other expense.....	(0.1)	-----
	-----	-----
Earnings before income taxes.....	16.0	
Income taxes.....	5.8	
	-----	-----
Net earnings.....	10.1%	=====
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Item 9. Regulation FD Disclosure

Applebee's International, Inc. (the "Company") also included guidance regarding its business outlook in the press release. These comments are included below.

BUSINESS OUTLOOK

The company also updated its guidance as to its business outlook for fiscal year 2002.

- o System-wide comparable sales are now expected to increase by at least 2 percent for the remainder of 2002.
- o As of March 31, 2002, the company had total long-term debt outstanding of \$55 million, reflecting payments of \$20 million during the quarter. Based on current interest rates and debt levels, interest expense for 2002 is now expected to be approximately \$2.5 million for the year.
- o Consistent with current consensus analyst estimates, diluted earnings per share for fiscal year 2002 are now expected to be in the range of \$2.11 to \$2.15, excluding any impact of additional stock repurchases.

A conference call to review the first quarter 2002 results and the current business outlook will be held on Thursday morning, April 25, 2002, at 10:00 a.m.

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Central Time (11:00 a.m. Eastern Time). The conference call will be broadcast live over the Internet and a replay will be available shortly after the call on the Investor Relations section of the company's website (www.applebees.com).

Applebee's International, Inc., headquartered in Overland Park, Kan., currently develops, franchises and operates restaurants under the Applebee's Neighborhood Grill and Bar brand, the largest casual dining concept in the world. There are currently 1,407 Applebee's restaurants operating system-wide in 49 states and eight international countries. Additional information on Applebee's International can be found at the company's website (www.applebees.com).

The statements contained in the Business Outlook section of this release are forward looking and based on current expectations. There are several risks and uncertainties that could cause actual results to differ materially from those described, including but not limited to the ability of the company and its franchisees to open and operate additional restaurants profitably, the continued growth of its franchisees and its ability to attract and retain qualified franchisees, the impact of intense competition in the casual dining segment of the restaurant industry, and its ability to control restaurant operating costs which are impacted by market changes, minimum wage and other employment laws, food costs and inflation. For additional discussion of the principal factors that could cause actual results to be materially different, the reader is referred to the company's current report on Form 8-K filed with the Securities and Exchange Commission on February 13, 2002. The company disclaims any obligation to update these forward-looking statements.

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SIGNATURES

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

APPLEBEE'S INTERNATIONAL, INC.
(Registrant)

Date: April 24, 2002

By: /s/ Steven K. Lumpkin

Steven K. Lumpkin
Executive Vice President and
Chief Financial Officer

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