

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended October 3, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 0-21423

BJ'S RESTAURANTS, INC.

(Exact name of registrant as specified in its charter)

California

(State or other jurisdiction of
incorporation or organization)

33-0485615

(I.R.S. Employer
Identification Number)

**7755 Center Avenue, Suite 300
Huntington Beach, California 92647**

(714) 500-2400

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, No Par Value	BJRI	NASDAQ Global Select Market

(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every interactive data file required to be submitted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ 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, or an emerging growth company. See definition of "accelerated filer," "large accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

- | | |
|--|---|
| ☐ Large accelerated filer | ☒ Accelerated filer |
| ☐ Non-accelerated filer | ☐ Smaller reporting company |
| ☐ Emerging growth company | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of November 3, 2023, there were 23,236,999 shares of Common Stock of the Registrant outstanding.

BJ'S RESTAURANTS, INC.
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PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

**BJ'S RESTAURANTS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)**

	October 3, 2023	January 3, 2023
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,965	\$ 24,873
Accounts and other receivables, net	18,385	28,593
Inventories, net	14,434	11,887
Prepaid expenses and other current assets	16,477	16,905
Total current assets	61,261	82,258
Property and equipment, net	527,686	507,116
Operating lease assets	356,311	368,784
Goodwill	4,673	4,673
Equity method investment	4,871	5,000
Deferred income taxes, net	42,310	38,312
Other assets, net	40,024	39,779
Total assets	\$ 1,037,136	\$ 1,045,922
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 49,357	\$ 59,563
Accrued expenses	101,575	97,258
Current operating lease obligations	31,749	40,037
Total current liabilities	182,681	196,858
Long-term operating lease obligations	422,595	432,676
Long-term debt	60,000	60,000
Other liabilities	10,890	10,873
Total liabilities	676,166	700,407
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, 5,000 shares authorized, none issued or outstanding	—	—
Common stock, no par value, 125,000 shares authorized and 23,409 and 23,392 shares issued and outstanding as of October 3, 2023 and January 3, 2023, respectively	—	—
Capital surplus	75,385	74,459
Retained earnings	285,585	271,056
Total shareholders' equity	360,970	345,515
Total liabilities and shareholders' equity	\$ 1,037,136	\$ 1,045,922

See accompanying notes to unaudited consolidated financial statements.

BJ'S RESTAURANTS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 3, 2023	September 27, 2022	October 3, 2023	September 27, 2022
Revenues	\$ 318,644	\$ 311,348	\$ 1,009,594	\$ 939,774
Restaurant operating costs (excluding depreciation and amortization):				
Cost of sales	82,652	85,010	264,143	257,404
Labor and benefits	118,198	117,476	373,053	356,873
Occupancy and operating	80,020	76,931	241,078	225,192
General and administrative	19,473	18,885	60,373	54,043
Depreciation and amortization	17,879	17,356	53,199	52,897
Restaurant opening	1,379	482	2,601	2,110
Loss on disposal and impairment of assets, net	1,430	379	4,706	974
Total costs and expenses	321,031	316,519	999,153	949,493
(Loss) income from operations	(2,387)	(5,171)	10,441	(9,719)
Other (expense) income:				
Interest expense, net	(1,013)	(645)	(3,242)	(1,715)
Other (expense) income, net (1)	(3)	57	815	(518)
Total other expense	(1,016)	(588)	(2,427)	(2,233)
(Loss) income before income taxes	(3,403)	(5,759)	8,014	(11,952)
Income tax expense (benefit)	401	(4,117)	(3,595)	(12,067)
Net (loss) income	<u>\$ (3,804)</u>	<u>\$ (1,642)</u>	<u>\$ 11,609</u>	<u>\$ 115</u>
Net (loss) income per share:				
Basic	<u>\$ (0.16)</u>	<u>\$ (0.07)</u>	<u>\$ 0.49</u>	<u>\$ 0.00</u>
Diluted	<u>\$ (0.16)</u>	<u>\$ (0.07)</u>	<u>\$ 0.48</u>	<u>\$ 0.00</u>
Weighted average number of shares outstanding:				
Basic	<u>23,542</u>	<u>23,427</u>	<u>23,521</u>	<u>23,413</u>
Diluted	<u>23,542</u>	<u>23,427</u>	<u>23,986</u>	<u>23,628</u>

- (1) For the thirteen weeks ended October 3, 2023 and September 27, 2022, related party costs included in other income (expense), net was an equity method investment loss of \$29,000 and zero, respectively. For the thirty-nine weeks ended October 3, 2023 and September 27, 2022, related party costs included in other income (expense), net was an equity method investment loss of \$129,000 and zero, respectively. See Note 10 for further information.

See accompanying notes to unaudited consolidated financial statements.

BJ'S RESTAURANTS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

	For the Thirteen Weeks Ended				
	Common Stock		Capital	Retained	Total
	Shares	Amount	Surplus	Earnings	
Balance, June 28, 2022	23,439	\$ —	\$ 70,728	\$ 269,616	\$ 340,344
Issuance of restricted stock units	15	563	(567)	—	(4)
Repurchase, retirement and reclassification of common stock	(91)	(563)	—	(1,822)	(2,385)
Stock-based compensation	—	—	2,700	—	2,700
Adjustment to dividends previously accrued	—	—	—	1	1
Net loss	—	—	—	(1,642)	(1,642)
Balance, September 27, 2022	<u>23,363</u>	<u>\$ —</u>	<u>\$ 72,861</u>	<u>\$ 266,153</u>	<u>\$ 339,014</u>
Balance, July 4, 2023	23,544	\$ —	\$ 73,407	\$ 292,639	\$ 366,046
Exercise of stock options	8	246	19	—	265
Issuance of restricted stock units	21	804	(806)	—	(2)
Repurchase, retirement and reclassification of common stock	(164)	(1,050)	—	(3,250)	(4,300)
Stock-based compensation	—	—	2,765	—	2,765
Net loss	—	—	—	(3,804)	(3,804)
Balance, October 3, 2023	<u>23,409</u>	<u>\$ —</u>	<u>\$ 75,385</u>	<u>\$ 285,585</u>	<u>\$ 360,970</u>

	For the Thirty-Nine Weeks Ended				
	Common Stock		Capital	Retained	Total
	Shares	Amount	Surplus	Earnings	
Balance, December 28, 2021	23,304	\$ —	\$ 72,513	\$ 261,258	\$ 333,771
Issuance of restricted stock units	150	7,156	(7,520)	—	(364)
Repurchase, retirement and reclassification of common stock	(91)	(7,156)	—	4,771	(2,385)
Stock-based compensation	—	—	7,868	—	7,868
Adjustment to dividends previously accrued	—	—	—	9	9
Net income	—	—	—	115	115
Balance, September 27, 2022	<u>23,363</u>	<u>\$ —</u>	<u>\$ 72,861</u>	<u>\$ 266,153</u>	<u>\$ 339,014</u>
Balance, January 3, 2023	23,392	\$ —	\$ 74,459	\$ 271,056	\$ 345,515
Exercise of stock options	8	254	17	—	271
Issuance of restricted stock units	173	6,965	(7,465)	—	(500)
Repurchase, retirement and reclassification of common stock	(164)	(7,219)	—	2,919	(4,300)
Stock-based compensation	—	—	8,374	—	8,374
Adjustment to dividends previously accrued	—	—	—	1	1
Net income	—	—	—	11,609	11,609
Balance, October 3, 2023	<u>23,409</u>	<u>\$ —</u>	<u>\$ 75,385</u>	<u>\$ 285,585</u>	<u>\$ 360,970</u>

See accompanying notes to unaudited consolidated financial statements.

BJ'S RESTAURANTS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Thirty-Nine Weeks Ended	
	October 3, 2023	September 27, 2022
Cash flows from operating activities:		
Net income	\$ 11,609	\$ 115
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	53,199	52,897
Non-cash lease expense	24,753	25,030
Amortization of financing costs	163	163
Deferred income taxes	(3,998)	(12,903)
Stock-based compensation expense	8,089	7,608
Loss on disposal and impairment of assets, net	4,706	974
Equity method investment	129	—
Changes in assets and liabilities:		
Accounts and other receivables	12,658	10,931
Inventories, net	(2,097)	262
Prepaid expenses and other current assets	(152)	128
Other assets, net	(2,091)	479
Accounts payable	(4,619)	(132)
Accrued expenses	4,344	(17,246)
Operating lease obligations	(33,099)	(30,163)
Other liabilities	17	(4,353)
Net cash provided by operating activities	73,611	33,790
Cash flows from investing activities:		
Purchases of property and equipment	(81,968)	(50,959)
Proceeds from sale of assets	4	650
Net cash used in investing activities	(81,964)	(50,309)
Cash flows from financing activities:		
Borrowings on line of credit	534,000	470,000
Payments on line of credit	(534,000)	(470,000)
Payments of debt issuance costs	—	(3)
Taxes paid on vested stock units under employee plans	(500)	(364)
Proceeds from exercise of stock options	271	—
Cash dividends accrued under stock compensation plans	(26)	(77)
Repurchase of common stock	(4,300)	(2,385)
Net cash used in financing activities	(4,555)	(2,829)
Net decrease in cash and cash equivalents	(12,908)	(19,348)
Cash and cash equivalents, beginning of period	24,873	38,527
Cash and cash equivalents, end of period	\$ 11,965	\$ 19,179

See accompanying notes to unaudited consolidated financial statements.

BJ'S RESTAURANTS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Thirty-Nine Weeks Ended	
	October 3, 2023	September 27, 2022
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 406	\$ 493
Cash paid for interest, net of capitalized interest	\$ 2,538	\$ 909
Cash paid for operating lease obligations	\$ 47,609	\$ 49,939
Supplemental disclosure of non-cash investing and financing activities:		
Operating lease assets obtained in exchange for operating lease obligations	\$ 14,730	\$ 31,207
Property and equipment acquired and included in accounts payable	\$ 9,301	\$ 10,601
Stock-based compensation capitalized	\$ 285	\$ 260

See accompanying notes to unaudited consolidated financial statements.

BJ'S RESTAURANTS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of BJ's Restaurants, Inc. (referred to herein as the "Company," "we," "us" and "our") and our wholly owned subsidiaries. The consolidated financial statements presented herein include all material adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of our financial condition, results of operations, shareholders' equity and cash flows for the periods presented. Our consolidated financial statements and accompanying notes have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Certain information and footnote disclosures normally included in consolidated financial statements in accordance with U.S. GAAP have been omitted pursuant to the U.S. Securities and Exchange Commission ("SEC") rules.

The preparation of financial statements in conformity with U.S. GAAP requires us to make certain estimates and assumptions for the reporting periods covered by the financial statements. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses. Actual amounts could differ from these estimates. Our operating results for the thirty-nine weeks ended October 3, 2023 may not be indicative of operating results for the entire year.

A description of our accounting policies and other financial information is included in our audited consolidated financial statements filed with the SEC on Form 10-K for the fiscal year ended January 3, 2023. The disclosures included in our accompanying interim consolidated financial statements and footnotes should be read in conjunction with our consolidated financial statements and notes thereto included in the Annual Report on Form 10-K and our other reports filed from time to time with the Securities and Exchange Commission.

2. REVENUE RECOGNITION

Our revenues are comprised of food and beverage sales from our restaurants. Revenues from restaurant sales are recognized when payment is tendered. Amounts paid with a credit card are recorded in accounts and other receivables until payment is collected from the credit card processor. We sell gift cards which do not have an expiration date, and we do not deduct non-usage fees from outstanding gift card balances. Gift card sales are recorded as a liability and recognized as revenues upon redemption in our restaurants. Based on historical redemption rates, a portion of our gift card sales are not expected to be redeemed and will be recognized as gift card "breakage." Estimated gift card breakage is recorded as revenue and recognized in proportion to our historical redemption pattern, unless there is a legal obligation to remit the unredeemed gift cards to government authorities.

Our "BJ's Premier Rewards Plus" guest loyalty program enables participants to earn points for qualifying purchases that can be redeemed for food and beverages in the future. We allocate the transaction price between the goods delivered and the future goods that will be delivered on a relative standalone selling price basis, and defer the revenues allocated to the points, less expected expirations, until such points are redeemed.

The liability related to our gift card and loyalty program, included in "Accrued expenses" on our Consolidated Balance Sheets is as follows (in thousands):

	October 3, 2023	January 3, 2023
Gift card liability	\$ 8,274	\$ 14,417
Deferred loyalty revenue	\$ 2,522	\$ 3,129

Revenue recognized for the redemption of gift cards and loyalty rewards deferred at the beginning of each respective fiscal year is as follows (in thousands):

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 3, 2023	September 27, 2022	October 3, 2023	September 27, 2022
Revenue recognized from gift card liability	\$ 1,493	\$ 1,278	\$ 9,923	\$ 9,846
Revenue recognized from guest loyalty program	\$ 929	\$ 1,271	\$ 6,239	\$ 6,584

3. LEASES

We determine if a contract contains a lease at inception. Our material operating leases consist of restaurant locations and office space. U.S. GAAP requires that our leases be evaluated and classified as operating or finance leases for financial reporting purposes. The classification evaluation begins at the commencement date, and the lease term used in the evaluation includes the non-cancellable period for which we have the right to use the underlying asset, together with renewal option periods when the exercise of the renewal

option is reasonably certain and failure to exercise such option would result in an economic penalty. All of our restaurant and office space leases are classified as operating leases. We have elected to account for lease and non-lease components as a single lease component for office and beverage gas equipment. We do not have any finance leases.

Lease costs included in “Occupancy and operating” on the Consolidated Statements of Operations consisted of the following (in thousands):

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 3, 2023	September 27, 2022	October 3, 2023	September 27, 2022
Lease cost	\$ 15,133	\$ 15,043	\$ 44,817	\$ 44,705
Variable lease cost	700	751	3,107	2,496
Total lease costs	<u>\$ 15,833</u>	<u>\$ 15,794</u>	<u>\$ 47,924</u>	<u>\$ 47,201</u>

4. LONG-TERM DEBT

Line of Credit

On November 3, 2021, we entered into a Fourth Amended and Restated Credit Agreement (“Credit Facility”) with Bank of America, N.A. (“BoFA”), JPMorgan Chase Bank, N.A., and certain other parties to amend and restate our revolving line of credit (the “Line of Credit”) to improve the pricing, extend the maturity date, change the interest reference rate, eliminate certain financial covenants and conditions, and reset other financial covenants starting with the fourth quarter of 2021.

Our Credit Facility matures on November 3, 2026, and provides us with revolving loan commitments totaling \$215 million, which may be increased up to \$315 million, of which \$50 million may be used for the issuance of letters of credit. Availability under the Credit Facility is reduced by outstanding letters of credit, which are used to support our self-insurance programs. On October 3, 2023, there were borrowings of \$60.0 million and letters of credit of \$16.2 million outstanding, leaving \$138.8 million available to borrow.

Borrowings under the Line of Credit bear interest at an annual rate equal to either (a) the Bloomberg Short-Term Bank Yield Index rate (“BSBY”) plus a percentage not to exceed 2.00% (with a floor on BSBY of 0.00%), or (b) a percentage not to exceed 1.00% above a Base Rate equal to the highest of (i) the Federal Funds Rate plus 1/2 of 1.00%, (ii) BoFA’s Prime Rate, (iii) the BSBY rate plus 1.00%, and (iv) 1.00%, in either case depending on the level of lease and debt obligations of the Company as compared to EBITDA plus lease expenses. The weighted average interest rate during the thirty-nine weeks ended October 3, 2023 and September 27, 2022 was approximately 6.6% and 2.7%, respectively.

The Credit Facility is secured by the Company’s assets and contains provisions requiring us to maintain compliance with certain covenants, including a Fixed Charge Coverage Ratio and a Lease Adjusted Leverage Ratio. On October 3, 2023, we were in compliance with these covenants.

Pursuant to the Line of Credit, we are required to pay certain customary fees and expenses associated with maintenance and use of the Line of Credit, including letter of credit issuance fees, unused commitment fees and interest, which are payable monthly. Interest expense and commitment fees under the Credit Facility were approximately \$3.2 million and \$1.7 million, for the thirty-nine weeks ended October 3, 2023 and September 27, 2022, respectively. We also capitalized approximately \$0.4 million and \$0.2 million of interest expense related to new restaurant construction during each of the thirty-nine weeks ended October 3, 2023 and September 27, 2022, respectively.

5. NET (LOSS) INCOME PER SHARE

Basic and diluted net (loss) income per share is calculated by dividing net (loss) income by the weighted average number of common shares outstanding during the period. Potentially dilutive shares are excluded from the computation of diluted net (loss) per share since they have an anti-dilutive effect, yet potentially dilutive shares are included in the computation of diluted net income per share. The number of diluted shares reflects the potential dilution that could occur if holders of in-the-money options and warrants were to exercise their right to convert these instruments into common stock and the restrictions on restricted stock units (“RSUs”) were to lapse. Additionally, performance-based RSUs are considered contingent shares; therefore, at each reporting date we determine the probable number of shares that will vest and include these contingently issuable shares in our diluted share calculation unless they are anti-dilutive. Once these performance-based RSUs vest, they are included in our basic net (loss) income per share calculation.

The following table presents a reconciliation of basic and diluted net (loss) income per share, including the number of dilutive equity awards included in the dilutive net (loss) income per share computation (in thousands):

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 3, 2023	September 27, 2022	October 3, 2023	September 27, 2022
Numerator:				
Net (loss) income	\$ (3,804)	\$ (1,642)	\$ 11,609	\$ 115
Denominator:				
Weighted-average shares outstanding – basic	23,542	23,427	23,521	23,413
Dilutive effect of equity awards	—	—	465	215
Weighted-average shares outstanding – diluted	23,542	23,427	23,986	23,628
Net (loss) income per share:				
Basic	\$ (0.16)	\$ (0.07)	\$ 0.49	\$ 0.00
Diluted	\$ (0.16)	\$ (0.07)	\$ 0.48	\$ 0.00

For the thirteen weeks ended October 3, 2023 and September 27, 2022, there were approximately 1.8 million and 2.1 million of equity awards and warrants, respectively, that were excluded from the calculation of diluted net (loss) income per share because they are anti-dilutive. For the thirty-nine weeks ended October 3, 2023 and September 27, 2022, there were approximately 1.8 million and 2.0 million of equity awards and warrants, respectively, that were excluded from the calculation of diluted net income per share because they are anti-dilutive.

6. STOCK-BASED COMPENSATION

Our current shareholder approved stock-based compensation plan is the BJ's Restaurants, Inc. Equity Incentive Plan, (as amended from time to time, "the Plan"). Under the Plan, we may issue shares of our common stock to team members, officers, directors and consultants. We have historically granted incentive stock options, non-qualified stock options, restricted stock and performance and time-based restricted stock units. Stock options are charged against the Plan share reserve on the basis of one share for each share of common stock issuable upon exercise of options granted. All options granted under the Plan expire within 10 years of their date of grant. Grants of restricted stock, RSUs, performance shares and performance units, if any, are currently charged against the Plan share reserve on the basis of 1.5 shares for each share granted. The Plan also contains other limits on the terms of incentive grants such as the maximum number that can be granted to a team member during any fiscal year.

Under the Plan, we issue time-based and performance-based RSUs and non-qualified stock options to senior vice presidents and above on an annual basis. We issue time-based RSUs and non-qualified stock options to vice presidents on an annual basis. New hires are given the option between receiving their full grant as a time-based RSU or split evenly between non-qualified stock options and time-based RSUs. We issue time-based RSUs to other select support team members, and we issue time-based RSUs to non-employee members of our Board of Directors. We also issue time-based RSUs in connection with the BJ's Gold Standard Stock Ownership Program (the "GSSOP"), a long-term equity incentive program for our restaurant general managers, executive kitchen managers, directors of operations and directors of kitchen operations. All GSSOP participants are required to remain in good standing during their vesting period.

The Plan permits our Board of Directors to set the vesting terms and exercise period for awards at their discretion; however, the grant of awards with no minimum vesting period or a vesting period less than one year may not exceed 5% of the total number of shares authorized under the Plan. Stock options and time-based RSUs vest ratably over one, three or five years for non-GSSOP participants and either cliff vest at five years or cliff vest at 33% on the third anniversary and 67% on the fifth anniversary for GSSOP participants. Performance-based RSUs cliff vest on the third anniversary of the grant date in an amount from 0% to 225% of the grant quantity, dependent on the level of performance target achievement.

The following table presents the stock-based compensation recognized within our consolidated financial statements (in thousands):

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 3, 2023	September 27, 2022	October 3, 2023	September 27, 2022
Labor and benefits	\$ 577	\$ 653	\$ 1,853	\$ 2,043
General and administrative	\$ 2,092	\$ 1,957	\$ 6,236	\$ 5,565
Capitalized (1)	\$ 97	\$ 90	\$ 285	\$ 260
Total stock-based compensation	\$ 2,766	\$ 2,700	\$ 8,374	\$ 7,868

- (1) Capitalized stock-based compensation relates to our restaurant development personnel and is included in “Property and equipment, net” on the Consolidated Balance Sheets.

Stock Options

The fair value of each stock option was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the Thirty-Nine Weeks Ended	
	October 3, 2023	September 27, 2022
Expected volatility	66.9 %	63.2 %
Risk-free interest rate	3.5 %	1.6 %
Expected option life	5 years	5 years
Dividend yield	— %	— %
Fair value of options granted	\$ 18.31	\$ 17.35

U.S. GAAP requires us to make certain assumptions and estimates regarding the grant date fair value. These include expected volatility, risk-free interest rate, expected option life, and dividend yield. These assumptions and estimates are determined using inputs that, in many cases, are outside of our control. Changes in these assumptions and estimates, including stock price volatility, dividend yield and risk-free interest rate, may significantly impact the fair value of future grants resulting in a significant impact to our financial results.

Under our stock-based compensation plan, the exercise price of a stock option is required to equal or exceed the fair value of our common stock at market close on the option grant date or the last trading day prior to the date of grant when grants take place on a day when the market is closed. The following table presents stock option activity:

	Options Outstanding		Options Exercisable	
	Shares (in thousands)	Weighted Average Exercise Price	Shares (in thousands)	Weighted Average Exercise Price
Outstanding at January 3, 2023	824	\$ 40.48	601	\$ 41.57
Granted	122	31.32		
Exercised	(8)	27.43		
Forfeited	(52)	37.43		
Outstanding at October 3, 2023	886	\$ 39.52	664	\$ 41.38

As of October 3, 2023, total unrecognized stock-based compensation expense related to non-vested stock options was approximately \$2.4 million, which is expected to be recognized over the next three years.

Restricted Stock Units

Time-Based Restricted Stock Units

The following table presents time-based restricted stock unit activity:

	Shares (in thousands)	Weighted Average Fair Value
Outstanding at January 3, 2023	729	\$ 34.10
Granted	257	31.16
Released	(149)	36.38
Forfeited	(70)	31.93
Outstanding at October 3, 2023	767	\$ 32.90

The fair value of time-based RSUs is equal to the fair value of our common stock at market close on the date of grant or the last trading day prior to the date of grant when grants take place on a day when the market is closed. The fair value of each time-based RSU is expensed over the vesting period (e.g., one, three or five years). As of October 3, 2023, total unrecognized stock-based compensation expense related to non-vested RSUs was approximately \$11.8 million, which is expected to be recognized over the next five years.

Performance-Based Restricted Stock Units

The following table presents performance-based restricted stock unit activity:

	Shares (in thousands)	Weighted Average Fair Value
Outstanding at January 3, 2023	123	\$ 38.89
Granted	52	31.87
Released	(40)	38.90
Forfeited	(7)	35.01
Outstanding at October 3, 2023	128	\$ 36.24

The fair value of performance-based RSUs is equal to the fair value of our common stock at market close on the date of grant or the last trading day prior to the date of grant when grants take place on a day when the market is closed. The fair value of each performance-based RSU is expensed, based on management's current estimate of the level that the performance goal will be achieved. As of October 3, 2023, based on the target level of performance, the total unrecognized stock-based compensation expense related to non-vested performance-based RSUs was approximately \$2.0 million, which is expected to be recognized over the next three years.

7. INCOME TAXES

We calculate our interim income tax provision in accordance with ASC Topic 270, "Interim Reporting" and ASC Topic 740, "Accounting for Income Taxes." The related tax expense or benefit is recognized in the interim period in which it occurs. In addition, the effect of changes in enacted tax laws, rates or tax status is recognized in the interim period in which the change occurs. The computation of the annual estimated effective tax rate at each interim period requires certain significant estimates and judgment including the expected operating income for the year, permanent and temporary differences because of differences between amounts measured and recognized in accordance with tax laws and financial accounting standards, and the likelihood of recovering deferred tax assets. The accounting estimates used to compute income tax expense may change as new events occur, additional information is obtained or the tax environment changes.

Our effective income tax benefit rate for the thirty-nine weeks ended October 3, 2023 was a benefit of 44.9% compared to a benefit rate of 101.0% for the comparable thirty-nine week period of 2022. The effective tax rate benefit for the thirty-nine weeks ended October 3, 2023 and September 27, 2022, was different from the statutory tax rate primarily as a result of significant Federal Insurance Contributions Act ("FICA") tax tip credits.

As of October 3, 2023, we had unrecognized tax benefits of approximately \$1.2 million, of which approximately \$1.1 million, if reversed, would impact our effective tax rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is the following (in thousands):

	For the Thirty-Nine Weeks Ended	
	October 3, 2023	September 27, 2022
Beginning gross unrecognized tax benefits	\$ 1,249	\$ 1,198
Increases for tax positions taken in prior years	102	3
Decreases for tax positions taken in prior years	—	(1)
Increases for tax positions taken in the current year	123	74
Decreases due to lapse of statute of limitations	(236)	—
Ending gross unrecognized tax benefits	\$ 1,238	\$ 1,274

Our uncertain tax positions are related to tax years that remain subject to examination by tax agencies. As of October 3, 2023, the earliest tax year still subject to examination by the Internal Revenue Service is 2015. The earliest year still subject to examination by a significant state or local taxing authority is 2018.

8. LEGAL PROCEEDINGS

We are subject to lawsuits, administrative proceedings and demands that arise in the ordinary course of our business and which typically involve claims from guests, team members and others related to operational, employment, real estate and intellectual property issues common to the foodservice industry. A number of these claims may exist at any given time. We are self-insured for a portion of our general liability, team member workers' compensation and employment practice liability insurance requirements. We maintain coverage with a third-party insurer to limit our total exposure. We believe that most of our claims will be covered by our

insurance, subject to coverage limits and the portion of such claims that are self-insured; however, punitive damages awards are not covered by our insurance. To date, we have not been ordered to pay punitive damages with respect to any claims, but there can be no assurance that punitive damages will not be awarded with respect to any future claims. We could be affected by adverse publicity resulting from allegations in lawsuits, claims and proceedings, regardless of whether these allegations are valid or whether we are ultimately determined to be liable. We currently believe that the final disposition of these types of lawsuits, proceedings and claims will not have a material adverse effect on our financial position, results of operations or liquidity. It is possible, however, that our future results of operations for a particular quarter or fiscal year could be impacted by changes in circumstances relating to lawsuits, proceedings or claims.

9. SHAREHOLDERS' EQUITY

Stock Repurchases

During the thirty-nine weeks ended October 3, 2023, we repurchased and retired approximately 164,000 shares of our common stock at an average price of \$26.17 per share for a total of \$4.3 million, which is recorded as a reduction in common stock, with any excess charged to retained earnings. As of October 3, 2023, we have approximately \$17.8 million remaining under the current \$500 million share repurchase plan approved by our Board of Directors. Repurchases may be made at any time.

Cash Dividends

Due to the COVID-19 pandemic, we suspended quarterly cash dividends until such time as the Board of Directors determines that resumption of dividend payments is in the best interest of the Company and its shareholders. The only cash dividends paid during the thirty-nine weeks ended October 3, 2023, were related to dividends (declared prior to fiscal 2020) on restricted stock grants, which vested under our stock compensation plans.

10. RELATED PARTY TRANSACTIONS

BJ's Act III, LLC

Our consulting agreement for defined services with Act III Management, LLC, an affiliate of BJ's Act III, LLC, one of our beneficial stockholders, and Act III Holdings, LLC, of which one current member and one former member of the Board of Directors are partners, in the amount of \$145,000, expired on December 31, 2022.

Equity Method Investment

During fiscal 2022, we contributed internally-developed software valued at \$5.0 million to a company, in which our retired Chief Executive Officer and a member of our Board of Directors has a less than 1% interest. We recorded this non-cash contribution, in exchange for a 20% ownership of the company, as an investment within "Equity method investment" on our Consolidated Balance Sheets, and the related gain within "Loss on disposal and impairment of assets, net" on our Consolidated Statements of Operations. For the thirty-nine weeks ended October 3, 2023 and September 27, 2022, we recorded a net loss related to the investment of \$129,000 and zero, respectively, within "Other income (expense), net," and accordingly adjusted the investment carrying amount on our Consolidated Balance Sheets.

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

STATEMENT REGARDING FORWARD-LOOKING DISCLOSURE

Certain information included in this Form 10-Q and other filings with the Securities and Exchange Commission, in our press releases, in other written communications, and in oral statements made by or with the approval of one of our authorized officers may contain "forward-looking" statements about our current and expected performance trends, growth plans, business goals and other matters. Words or phrases such as "believe," "plan," "will likely result," "expect," "intend," "will continue," "is anticipated," "estimate," "project," "may," "could," "would," "should," and similar expressions are intended to identify "forward-looking" statements. These statements, and any other statements that are not historical facts, are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995, as codified in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended from time to time. The cautionary statements made in this Form 10-Q should be read as being applicable to all related "forward-looking" statements wherever they appear in this Form 10-Q. These forward-looking statements are based on information available to us as of the date any such statements are made, and we assume no obligation to update these forward-looking statements. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those described in the statements. These risks and uncertainties include, but are not limited to, the risk factors described in Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 3, 2023, as updated in our Form 10-Q for the thirty-nine weeks ended October 3, 2023, and in other reports filed subsequently with the SEC.

GENERAL

BJ's Restaurants is a leading casual dining restaurant brand differentiated by a high-quality, varied menu with compelling value, and a dining experience that offers our customers (referred to as "guests") best-in-class service, hospitality and enjoyment, in a high-energy, welcoming and approachable atmosphere. BJ's is a national restaurant chain that, as of November 6, 2023, owns and operates 217 restaurants located in 30 states.

The first BJ's restaurant opened in 1978 in Orange County, California, and was a small sit-down pizzeria that featured Chicago style deep-dish pizza with a unique California twist. In 1996, we introduced our proprietary craft beers and expanded the BJ's concept to a full-service, high-energy casual dining restaurant when we opened our first large format restaurant with an on-site brewing operation in Brea, California. Today our restaurants feature a broad menu with approximately 100 menu items designed to offer something for everyone including: slow roasted entrees such as prime rib, EnLIGHTened Entrees® such as our Cherry Chipotle Glazed Salmon, our original signature deep-dish pizza, the world-famous Pizookie® dessert, and our award-winning BJ's craft beers. Our craft beer is produced at four in-restaurant brewing facilities, our Texas brewpub locations and by independent third-party brewers using our proprietary recipes.

Our revenues are comprised of food and beverage sales from our restaurants, including takeout, delivery and catering sales. Revenues from restaurant sales are recognized when payment is tendered. Amounts paid with a credit card are recorded in accounts and other receivables until payment is collected from the credit card processor. We sell gift cards which do not have an expiration date, and we do not deduct non-usage fees from outstanding gift card balances. Gift card sales are recorded as a liability and recognized as revenues upon redemption in our restaurants. Based on historical redemption rates, a portion of our gift card sales are not expected to be redeemed and will be recognized as gift card "breakage." Estimated gift card breakage is recorded as revenue and recognized in proportion to our historical redemption pattern, unless there is a legal obligation to remit the unredeemed gift cards to government authorities.

Our guest loyalty program enables participants to earn points for qualifying purchases that can be redeemed for food and beverages in the future. We allocate the transaction price between the goods delivered and the future goods that will be delivered, on a relative standalone selling price basis, and defer the revenues allocated to the points until such points are redeemed.

All of our restaurants are Company-owned. In calculating comparable restaurant sales, we include a restaurant in the comparable base once it has been open for 18 months. Guest traffic for our restaurants is estimated based on the number of guest checks.

Cost of sales is comprised of food and beverage costs, including the cost to produce and distribute our proprietary craft beer, soda and ciders. The components of cost of sales are variable and typically fluctuate directly with sales volumes but also may be impacted by changes in commodity prices, a shift in sales mix to higher cost proteins or other higher cost items, or varying levels of promotional activities.

Labor and benefit costs include direct hourly and management wages, bonuses, payroll taxes, fringe benefits and stock-based compensation, and workers' compensation expense that are directly related to restaurant level team members.

Occupancy and operating expenses include restaurant supplies, credit card fees, third-party delivery company commissions, marketing costs, fixed rent, percentage rent, common area maintenance charges, utilities, real estate taxes, repairs and maintenance and other related restaurant costs.

General and administrative expenses include costs for our corporate administrative functions that support existing operations and provide infrastructure to facilitate our future growth. Components of this category include corporate management, field supervision and corporate hourly staff salaries and related team member benefits (including stock-based compensation expense and cash-based incentive compensation), travel and relocation costs, information systems, the cost to recruit and train new restaurant management team members, corporate rent, certain brand marketing-related expenses and legal and consulting fees.

Depreciation and amortization are composed primarily of depreciation of capital expenditures for restaurant and brewing equipment and leasehold improvements.

Restaurant opening expenses, which are expensed as incurred, consist of the costs of hiring and training the initial hourly work force for each new restaurant, travel, the cost of food and supplies used in training, grand opening promotional costs, the cost of the initial stock of operating supplies and other direct costs related to the opening of a restaurant, including rent during the construction and in-restaurant training period.

RESULTS OF OPERATIONS

The following table provides, for the periods indicated, our unaudited Consolidated Statements of Operations expressed as percentages of total revenues. The results of operations for the thirteen and thirty-nine weeks ended October 3, 2023 and September 27, 2022, are not necessarily indicative of the results to be expected for the full fiscal year. Percentages below may not reconcile due to rounding.

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 3, 2023	September 27, 2022	October 3, 2023	September 27, 2022
Revenues	100.0%	100.0%	100.0%	100.0%
Restaurant operating costs (excluding depreciation and amortization):				
Cost of sales	25.9	27.3	26.2	27.4
Labor and benefits	37.1	37.7	37.0	38.0
Occupancy and operating	25.1	24.7	23.9	24.0
General and administrative	6.1	6.1	6.0	5.8
Depreciation and amortization	5.6	5.6	5.3	5.6
Restaurant opening	0.4	0.2	0.3	0.2
Loss on disposal and impairment of assets, net	0.4	0.1	0.5	0.1
Total costs and expenses	100.7	101.7	99.0	101.0
(Loss) income from operations	(0.7)	(1.7)	1.0	(1.0)
Other (expense) income:				
Interest expense, net	(0.3)	(0.2)	(0.3)	(0.2)
Other income (expense)	0.0	0.0	0.1	(0.1)
Total other expense	(0.3)	(0.2)	(0.2)	(0.2)
(Loss) income before income taxes	(1.1)	(1.8)	0.8	(1.3)
Income tax expense (benefit)	0.1	(1.3)	(0.4)	(1.3)
Net (loss) income	(1.2)%	(0.5)%	1.1%	0.0%

Thirteen Weeks Ended October 3, 2023 Compared to Thirteen Weeks Ended September 27, 2022

Revenues. Total revenues increased by \$7.3 million, or 2.3%, to \$318.6 million during the thirteen weeks ended October 3, 2023, from \$311.3 million during the comparable thirteen-week period of 2022. The increase in revenues primarily consisted of a 0.4%, or \$1.2 million, increase in comparable restaurant sales, and a \$9.0 million increase in sales from new restaurants not yet in our comparable restaurant sales base. Revenue increases were offset primarily by a \$3.5 million decrease related to closed restaurants. The increase in comparable restaurant sales was the result of an increase in average check of approximately 4.7%, due to menu price increases coupled with changes in mix, offset by a decrease in guest traffic of approximately 4.3%.

Cost of Sales. Cost of sales decreased by \$2.4 million, or 2.8%, to \$82.7 million during the thirteen weeks ended October 3, 2023, from \$85.0 million during the comparable thirteen-week period of 2022. This was primarily due to lower commodity costs and savings from our cost savings initiatives, offset by the increase in revenue and associated costs related to new restaurants opened since the thirteen weeks ended September 27, 2022. As a percentage of revenues, cost of sales decreased to 25.9% for the current thirteen-week period from 27.3% for the prior year comparable period. This decrease was primarily due to easing of inflationary pressure on food costs, coupled with increased revenues from menu price increases and the effectiveness of our cost savings initiatives.

Labor and Benefits. Labor and benefit costs for our restaurants increased by \$0.7 million, or 0.6%, to \$118.2 million during the thirteen weeks ended October 3, 2023, from \$117.5 million during the comparable thirteen-week period of 2022. This was primarily due to labor cost inflation, mitigated in part by greater labor efficiencies. As a percentage of revenues, labor and benefit costs decreased to 37.1% for the current thirteen-week period from 37.7% for the prior year comparable period. This decrease was primarily due to our ability to leverage certain fixed costs over a higher revenue base and improved labor efficiency, coupled with the effectiveness of our cost savings initiatives. Included in labor and benefits for the thirteen weeks ended October 3, 2023 and September 27, 2022, was approximately \$0.6 million and \$0.7 million, respectively, or 0.2% of revenues of stock-based compensation expense, related to equity awards granted in accordance with our Gold Standard Stock Ownership Program for certain restaurant management team members.

Occupancy and Operating. Occupancy and operating expenses increased by \$3.1 million, or 4.0%, to \$80.0 million during the thirteen weeks ended October 3, 2023, from \$76.9 million during the comparable thirteen-week period of 2022. This was primarily due to increases of \$1.2 million in third-party delivery company fees and expenses, \$1.0 million in rent-related expenses, and \$0.7

million related to restaurant facilities expenses. As a percentage of revenues, occupancy and operating expenses increased to 25.1% for the current thirteen-week period from 24.7% for the prior year comparable period. This increase was primarily related to increased delivery fees and expenses in an effort to drive off premise sales, including catering.

General and Administrative. General and administrative expenses increased by \$0.6 million, or 3.1%, to \$19.5 million during the thirteen weeks ended October 3, 2023, from \$18.9 million during the comparable thirteen-week period of 2022. This was primarily due to increased personnel costs, including a \$0.4 million decrease related to our deferred compensation liability. Included in general and administrative costs for the thirteen weeks ended October 3, 2023 and September 27, 2022, was approximately \$2.1 million and \$2.0 million, or 0.7% and 0.6% of revenues, respectively, of stock-based compensation expense. As a percentage of revenues, general and administrative expenses remained consistent at 6.1% for the current thirteen-week period and the prior year comparable period.

Depreciation and Amortization. Depreciation and amortization increased by \$0.5 million, or 3.0%, to \$17.9 million during the thirteen weeks ended October 3, 2023, compared to \$17.4 million during the comparable thirteen-week period of 2022. This increase was primarily related to depreciation expense related to our restaurants opened since the thirteen weeks ended September 27, 2022, partially offset by the impact of impairment and disposal charges taken in the prior year, and the closure of five restaurants since the thirteen weeks ended September 27, 2022. As a percentage of revenues, depreciation and amortization remained consistent at 5.6% for the current thirteen-week period and the prior year comparable period.

Restaurant Opening. Restaurant opening expense increased by \$0.9 million, or 186.1%, to \$1.4 million during the thirteen weeks ended October 3, 2023, compared to \$0.5 million during the comparable thirteen-week period of 2022. This increase was primarily due to the number and timing of openings.

Loss on Disposal and Impairment of Assets, Net. Loss on disposal and impairment of assets, net, was \$1.4 million during the thirteen weeks ended October 3, 2023, and \$0.4 million during the comparable thirteen-week period of 2022. For the thirteen weeks ended October 3, 2023, these costs primarily relate to disposals of assets in conjunction with initiatives to keep our restaurants up to date as well as the closure of an under-performing restaurant in the quarter.

Interest Expense, Net. Interest expense, net, increased by \$0.4 million to \$1.0 million during the thirteen weeks ended October 3, 2023, compared to \$0.6 million during the comparable thirteen-week period of 2022. This increase was primarily due to the increase in weighted average interest rate year over year, coupled with a slightly higher average outstanding debt balance.

Income Tax Expense (Benefit). Our effective income tax rate for the thirteen weeks ended October 3, 2023, reflected a 11.8% tax expense compared to a 71.5% tax benefit for the comparable thirteen-week period of 2022. The effective tax rate for the thirteen weeks ended October 3, 2023 and September 27, 2022 was different than the statutory rate primarily due to FICA tax tip credits.

Thirty-Nine Weeks Ended October 3, 2023 Compared to Thirty-Nine Weeks Ended September 27, 2022

Revenues. Total revenues increased by \$69.8 million, or 7.4%, to \$1.0 billion during the thirty-nine weeks ended October 3, 2023, from \$939.8 million during the comparable thirty-nine week period of 2022. The increase in revenues primarily consisted of a 4.7%, or \$43.1 million, increase in comparable restaurant sales, a \$31.5 million increase in sales from new restaurants not yet in our comparable restaurant sales base, and a \$2.2 million increase related to the shift in weeks as a result of the 53rd week in fiscal 2022. Revenue increases were offset primarily by a \$6.0 million decrease related to closed restaurants. The increase in comparable restaurant sales was the result of an increase in average check of approximately 6.4%, due to menu price increases coupled with changes in mix, offset by a decrease in guest traffic of approximately 1.7%.

Cost of Sales. Cost of sales increased by \$6.7 million, or 2.6%, to \$264.1 million during the thirty-nine weeks ended October 3, 2023, from \$257.4 million during the comparable thirty-nine week period of 2022. This increase was primarily due to costs of sales for our seven new restaurants opened since the thirty-nine weeks ended September 27, 2022, partially offset by the closure of five restaurants since the thirty-nine weeks ended September 27, 2022. As a percentage of revenues, cost of sales decreased to 26.2% for the current thirty-nine week period from 27.4% for the prior year comparable period. This decrease was primarily due to easing of inflationary pressure on food costs, coupled with increased revenues from menu price increases and cost savings benefits resulting from our cost savings initiatives.

Labor and Benefits. Labor and benefit costs for our restaurants increased by \$16.2 million, or 4.5%, to \$373.1 million during the thirty-nine weeks ended October 3, 2023, from \$356.9 million during the comparable thirty-nine week period of 2022. This was primarily due to \$8.2 million related to higher hourly labor, \$4.3 million related to higher management labor and incentive compensation, and \$2.4 million related to taxes and benefits as a result of increases in hourly wage rates and the additional labor related to our five new restaurants opened since the thirty-nine weeks ended September 27, 2022. As a percentage of revenues, labor and benefit costs decreased to 37.0% for the current thirty-nine week period from 38.0% for the prior year comparable period. This decrease was primarily due to our ability to leverage certain fixed costs over a higher revenue base, improved labor efficiency, better team member retention, and the effectiveness of our cost savings initiatives. Included in labor and benefits for the thirty-nine weeks ended October 3, 2023 and September 27, 2022, was approximately \$1.9 million and \$2.0 million, respectively, or 0.2% revenues, of

stock-based compensation expense related to equity awards granted in accordance with our Gold Standard Stock Ownership Program for certain restaurant management team members.

Occupancy and Operating. Occupancy and operating expenses increased by \$15.9 million, or 7.1%, to \$241.1 million during the thirty-nine weeks ended October 3, 2023, from \$225.2 million during the comparable thirty-nine week period of 2022. This was primarily due to increases of \$3.8 million in rent-related expenses, \$3.7 million related to restaurant facilities expenses, \$2.7 million in third-party delivery company fees and expenses, \$1.9 million in utilities, \$1.5 million in marketing expenditures, and \$1.8 million in merchant credit card fees, offset by a decrease of \$0.6 million in supplies. As a percentage of revenues, occupancy and operating expenses decreased to 23.9% for the current thirty-nine week period from 24.0% for the prior year comparable period. This decrease was primarily related to our ability to leverage certain fixed operating and occupancy costs over a higher revenue base.

General and Administrative. General and administrative expenses increased by \$6.3 million, or 11.7%, to \$60.4 million during the thirty-nine weeks ended October 3, 2023, from \$54.0 million during the comparable thirty-nine week period of 2022. This was primarily due to increases of \$5.6 million in personnel costs, including a \$2.5 million increase related to our deferred compensation liability, and a \$1.0 million increase in corporate expenses, offset by decreases of \$0.3 million in rent related expenses, and \$0.2 million in recruiting related expenses. Included in general and administrative costs for the thirty-nine weeks ended October 3, 2023 and September 27, 2022, was approximately \$6.2 million and \$5.6 million, or 0.6% of revenues, of stock-based compensation expense. As a percentage of revenues, general and administrative expenses increased to 6.0% for the current thirty-nine week period from 5.8% for the prior year comparable period. This increase was primarily related to our increased deferred compensation liability.

Depreciation and Amortization. Depreciation and amortization increased by \$0.3 million, or 0.6%, to \$53.2 million during the thirty-nine weeks ended October 3, 2023, compared to \$52.9 million during the comparable thirty-nine week period of 2022. This increase in depreciation and amortization is related to our restaurants opened since the thirty-nine weeks ended September 27, 2022. This increase was offset by the decrease in depreciation and amortization related to impairment and disposal charges taken in the prior year, including the impairment and reduction of carrying value for the closure of five restaurants since the thirty-nine weeks ended September 27, 2022. As a percentage of revenues, depreciation and amortization decreased to 5.3% for the current thirty-nine week period from 5.6% for the prior year comparable period. This decrease was primarily due to a higher revenue base.

Restaurant Opening. Restaurant opening expense increased by \$0.5 million, or 23.3%, to \$2.6 million during the thirty-nine weeks ended October 3, 2023, compared to \$2.1 million during the comparable thirty-nine week period of 2022. This increase was primarily due to the number and timing of openings.

Loss on Disposal and Impairment of Assets, Net. Loss on disposal and impairment of assets, net, was \$4.7 million during the thirty-nine weeks ended October 3, 2023, and \$1.0 million during the comparable thirty-nine week period of 2022. For the thirty-nine weeks ended October 3, 2023, these costs primarily relate to disposals of assets in conjunction with initiatives to keep our restaurants up to date, including our restaurant remodel initiative and the removal of glass partitions in our dining rooms that were installed during the pandemic, as well as the closure of four under-performing restaurants.

Interest Expense, Net. Interest expense, net, increased by \$1.5 million to \$3.2 million during the thirty-nine weeks ended October 3, 2023, compared to \$1.7 million during the comparable thirty-nine week period of 2022. This increase was primarily due to the increase in our weighted average interest rate year over year, coupled with a slightly higher average outstanding debt balance.

Other (Expense) Income, Net. Other income (expense), net, was \$0.8 million of income during the thirty-nine weeks ended October 3, 2023, compared to \$0.5 million of expense during the comparable thirty-nine week period of 2022. This change was primarily related to gains associated with the cash surrender value of certain life insurance policies under our deferred compensation plan.

Income Tax Expense (Benefit). Our effective income tax rate for the thirty-nine weeks ended October 3, 2023, reflected a 44.9% tax benefit compared to a 101.0% tax benefit for the comparable thirty-nine week period of 2022. The effective tax rate benefit for the thirty-nine weeks ended October 3, 2023 and September 27, 2022 was different than the statutory rate primarily due to significant FICA tax tip credits.

LIQUIDITY AND MATERIAL CASH REQUIREMENTS

The following table provides, for the periods indicated, a summary of our key liquidity measurements (dollars in thousands):

	October 3, 2023	January 3, 2023
Cash and cash equivalents	\$ 11,965	\$ 24,873
Net working capital	\$ (121,420)	\$ (114,600)
Current ratio	0.3:1.0	0.4:1.0

We focus on cash flow generation and maintaining a solid and flexible financial position to execute our long-term strategy of investing in our business and opening new restaurants. We continue to monitor the macro environment and will review and, when appropriate, adjust our overall approach to capital allocation, including share repurchases and dividends, as the environment changes.

Based on current operations, we believe that our current cash and cash equivalents, coupled with cash generated from operations and availability under our credit agreement will be adequate to meet our capital expenditure and working capital needs for at least the next twelve months. Our future operating performance will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

Similar to many restaurant chains, we typically utilize operating lease arrangements (principally ground leases) for the our restaurant locations. We believe our operating lease arrangements provide appropriate leverage for our capital structure in a financially efficient manner. However, we are not limited to the use of lease arrangements as our only method of opening new restaurants and from time to time have purchased the underlying land for new restaurants. We typically lease our restaurant locations for periods of 10 to 20 years under operating lease arrangements. Our rent structures vary from lease to lease, but generally provide for the payment of both minimum and contingent (percentage) rent based on sales, as well as other expenses related to the leases (for example, our pro-rata share of common area maintenance, property tax and insurance expenses). Many of our lease arrangements include the opportunity to secure tenant improvement allowances to partially offset the cost of developing and opening the related restaurants. Generally, landlords recover the cost of such allowances from increased minimum rents. There can be no assurance that such allowances will be available to us on each project. From time to time, we may also decide to purchase the underlying land for a new restaurant if that is the only way to secure a highly desirable site. Currently, we own the underlying land for our Texas brewpub locations. We also own parcels of land adjacent to two of our restaurants. It is not our current strategy to own a large number of land parcels that underlie our restaurants. Therefore, in many cases we have subsequently entered into sale-leaseback arrangements for land parcels that we previously purchased. We disburse cash for certain site-related work, buildings, leasehold improvements, furnishings, fixtures and equipment to build our leased and owned premises. We own substantially all of the equipment, furniture and trade fixtures in our restaurants and currently plan to do so in the future.

CASH FLOWS

The following tables set forth, for the periods indicated, our cash flows from operating, investing, and financing activities (in thousands):

	For the Thirty-Nine Weeks Ended	
	October 3, 2023	September 27, 2022
Net cash provided by operating activities	\$ 73,611	\$ 33,790
Net cash used in investing activities	(81,964)	(50,309)
Net cash used in financing activities	(4,555)	(2,829)
Net decrease in cash and cash equivalents	\$ (12,908)	\$ (19,348)

Operating Cash Flows

Net cash provided by operating activities was \$73.6 million during the thirty-nine weeks ended October 3, 2023, representing a \$39.8 million increase from the \$33.8 million provided by during the thirty-nine weeks ended September 27, 2022. The increase over the prior year is primarily due to improved net income, the timing of payments for accrued expenses and the change in deferred income taxes.

Investing Cash Flows

Net cash used in investing activities was \$82.0 million during the thirty-nine weeks ended October 3, 2023, representing a \$31.7 million increase from the \$50.3 million used during the thirty-nine weeks ended September 27, 2022. The increase over prior year is primarily due to the timing of new restaurants opened, as well as restaurants under construction, and an increase in restaurant remodel activity.

The following table provides, for the periods indicated, the components of capital expenditures (in thousands):

	For the Thirty-Nine Weeks Ended	
	October 3, 2023	September 27, 2022
New restaurants	\$ 34,382	\$ 27,102
Restaurant maintenance and remodels, and key productivity initiatives	46,956	21,396
Restaurant and corporate systems	630	2,461
Total capital expenditures	\$ 81,968	\$ 50,959

Year to date as of November 6, 2023, we have opened five new restaurants and closed four restaurants. We currently plan to open four to six restaurants in fiscal 2024, and we have entered into signed leases, land purchase agreements or letters of intent for all of our 2024 new restaurant locations.

We currently anticipate our total capital expenditures for fiscal 2023 to be approximately \$95 million. This estimate includes the cost of the five new restaurants that have been opened and the cost to remodel 35 to 40 existing locations, coupled with certain capital expenditures for restaurants that will open next year. Total capital expenditures exclude anticipated proceeds from tenant improvement allowances. We expect to fund our net capital expenditures with our current cash balance on hand, cash flows from operations and our line of credit. Our future cash requirements will depend on many factors, including the pace of our expansion, conditions in the retail property development market, construction costs, the nature of the specific sites selected for new restaurants, and the nature of the specific leases and associated tenant improvement allowances available, if any, as negotiated with landlords.

Financing Cash Flows

Net cash used in financing activities was \$4.6 million during the thirty-nine weeks ended October 3, 2023, representing a \$1.7 million increase from the \$2.8 million used during the thirty-nine weeks ended September 27, 2022. This increase was primarily due to an increase in common stock repurchases.

OFF-BALANCE SHEET ARRANGEMENTS

We do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities (“VIEs”), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow limited purposes. As of October 3, 2023, we are not involved in any off-balance sheet arrangements.

IMPACT OF INFLATION

Heightened inflation has had a material impact on our operations, new restaurant construction and corresponding return on invested capital. While we have been able to partially offset inflation and other changes in the costs of key operating inputs by gradually increasing menu prices, coupled with cost savings initiatives, more efficient purchasing practices, productivity improvements and greater economies of scale, there can be no assurance that we will be able to continue to do so in the future. Increases in inflation could have a severe impact on the United States and global economies, which will have an adverse impact on our business, financial condition and results of operations. From time to time, competitive conditions will limit our menu pricing flexibility. In addition, macroeconomic conditions that impact consumer discretionary spending for food away from home could make additional menu price increases imprudent. There can be no assurance that all of our future cost increases can be offset by higher menu prices or that higher menu prices will be accepted by our restaurant guests without any resulting changes in their visit frequencies or purchasing patterns. Many of the leases for our restaurants provide for contingent rent obligations based on a percentage of sales. As a result, rent expense will absorb a proportionate share of any menu price increases in our restaurants. There can be no assurance that we will continue to generate increases in comparable restaurant sales in amounts sufficient to offset inflationary or other cost pressures.

SEASONALITY AND ADVERSE WEATHER

Our business is impacted by weather and other seasonal factors that typically impact other restaurant operations. Holidays (and shifts in the holiday calendar) and severe weather including hurricanes, tornados, thunderstorms, snow and ice storms, prolonged extreme temperatures and similar conditions may impact restaurant sales volumes in some of the markets where we operate. Many of our restaurants are located in or near shopping centers and malls that typically experience seasonal fluctuations in sales. Quarterly results have been and will continue to be significantly impacted by the timing of new restaurant openings and their associated restaurant opening expenses. As a result of these and other factors, our financial results for any given quarter may not be indicative of the results that may be achieved for a full fiscal year.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions affecting the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenues and expenses in the reporting period. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. We continually review the estimates and underlying assumptions to ensure they are appropriate for the circumstances. Accounting assumptions and estimates are inherently uncertain and actual results may differ materially from our estimates.

A summary of our other critical accounting policies is included in Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the fiscal year ended January 3, 2023. During the thirty-nine weeks ended October 3, 2023, there were no significant changes in our critical accounting policies.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion of market risks contains “forward-looking” statements. Actual results may differ materially from the following discussion based on general conditions in the financial and commodity markets.

Interest Rate Risk

We have a \$215 million Credit Facility, of which \$60.0 million is currently outstanding and carries interest at a floating rate. We utilize the Credit Facility principally for letters of credit that are required to support our self-insurance programs, to fund a portion of our announced share repurchase program, and for working capital and construction requirements, as needed. We are exposed to interest rate risk through fluctuations in interest rates on our obligations under the Credit Facility. Based on our current outstanding balance, a hypothetical 1% change in the interest rates under our Credit Facility would have an approximate \$0.5 million annual impact on our net income.

Food, Supplies and Commodity Price Risks

We purchase food, supplies and other commodities for use in our operations based upon market prices established with our suppliers. Our business is dependent on frequent and consistent deliveries of these items. We may experience shortages, delays or interruptions due to inclement weather, natural disasters, labor issues or other operational disruptions or other conditions beyond our control such as cyber breaches or ransomware attacks at our suppliers, distributors or transportation providers. Additionally, many of the commodities purchased by us can be subject to volatility due to market supply and demand factors outside of our control, whether contracted for or not. Costs can also fluctuate due to government regulation. To manage this risk in part, we attempt to enter into fixed-price purchase commitments, with terms typically up to one year, for some of our commodity requirements. However, it may not be possible for us to enter into fixed-price contracts for certain commodities or we may choose not to enter into fixed-price contracts for certain commodities. We believe that substantially all of our food and supplies are available from several sources, which helps to diversify our overall commodity cost risk. We also believe that we have some flexibility and ability to increase certain menu prices, or vary certain menu items offered or promoted, in response to food commodity price increases. Some of our commodity purchase arrangements may contain contractual features that limit the price paid by establishing certain price floors or caps. We do not use financial instruments to hedge commodity prices, since our purchase arrangements with suppliers, to the extent that we can enter into such arrangements, help control the ultimate cost that we pay.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 promulgated under the Securities Exchange Act of 1934 as amended, as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of October 3, 2023, our disclosure controls and procedures are designed and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has not been any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our third fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 5. OTHER INFORMATION

None.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Note 8 of Notes to Unaudited Consolidated Financial Statements in Part I, Item 1 of this report for a summary of legal proceedings.

Item 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended January 3, 2023.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

As of October 3, 2023, we have cumulatively repurchased shares valued at approximately \$482.2 million in accordance with our approved share repurchase plan. We repurchased shares valued at approximately \$4.3 million during the thirty-nine weeks ended October 3, 2023. The share repurchases were executed through open market purchases, and future share repurchases may be completed through a combination of individually negotiated transactions, accelerated share buyback, and/or open market purchases. As of October 3, 2023, we have approximately \$17.8 million available under our share repurchase plan.

The following table sets forth information with respect to the repurchase of common shares during the thirty-nine weeks ended October 3, 2023:

Period (1)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Plans	Increase in Dollars for Share Repurchase Authorization	Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
01/04/23 - 01/31/23	—	\$ —	—	\$ —	\$ 22,053,808
02/01/23 - 02/28/23	—	\$ —	—	\$ —	\$ 22,053,808
03/01/23 - 04/04/23	—	\$ —	—	\$ —	\$ 22,053,808
04/05/23 - 05/02/23	—	\$ —	—	\$ —	\$ 22,053,808
05/03/23 - 05/30/23	—	\$ —	—	\$ —	\$ 22,053,808
05/31/23 - 07/04/23	—	\$ —	—	\$ —	\$ 22,053,808
07/05/23 -08/01/23	—	\$ —	—	\$ —	\$ 22,053,808
08/02/23 - 08/29/23	—	\$ —	—	\$ —	\$ 22,053,808
08/30/23 - 10/03/23	164,330	\$ 26.17	164,330	\$ —	\$ 17,753,738
Total	<u>164,330</u>		<u>164,330</u>		

Item 6. EXHIBITS

Exhibit Number	Description
3.1	<u>Amended and Restated Articles of Incorporation of the Company, incorporated by reference to Exhibit 3.1 of the Annual Report on Form 10-K for fiscal 2017.</u>
3.2	<u>Amended and Restated Bylaws of the Company, incorporated by reference to Exhibit 3.1 of the Form 8-K filed on August 14, 2020.</u>
3.3	<u>Certificate of Amendment of Articles of Incorporation, incorporated by reference to Exhibit 3.3 of the Annual Report on Form 10-K for fiscal 2004.</u>
3.4	<u>Certificate of Amendment of Articles of Incorporation, incorporated by reference to Exhibit 3.4 of the Annual Report on Form 10-K for fiscal 2010.</u>
4.1	<u>Specimen Common Stock Certificate of the Company, incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form SB-2A filed with the Securities and Exchange Commission on August 22, 1996 (File No. 3335182-LA).</u>
31	<u>Section 302 Certification of Chief Executive Officer and Chief Financial Officer.</u>
32	<u>Section 906 Certification of Chief Executive Officer and Chief Financial Officer.</u>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

In accordance with 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.

BJ'S RESTAURANTS, INC.
(Registrant)

November 6, 2023

By: /s/ GREGORY S. LEVIN

Gregory S. Levin
Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ THOMAS A. HOUDEK

Thomas A. Houdek
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ JACOB J. GUILD

Jacob J. Guild
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

BJ'S RESTAURANTS, INC.

Certification of Chief Executive Officer

I, Gregory S. Levin, certify that:

1. I have reviewed this quarterly report on Form 10-Q for BJ's Restaurants, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2023

By: /s/ GREGORY S. LEVIN

Gregory S. Levin

Chief Executive Officer and President

(Principal Executive Officer)

BJ'S RESTAURANTS, INC.

Certification of Chief Financial Officer

I, Thomas A. Houdek, certify that:

1. I have reviewed this quarterly report on Form 10-Q for BJ's Restaurants, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2023

By: /s/ THOMAS A. HOUDEK

Thomas A. Houdek

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

BJ'S RESTAURANTS, INC.
CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Gregory S. Levin, Chief Executive Officer of the Company, and Thomas A. Houdek, Chief Financial Officer of the Company, certify to their knowledge:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarter ended October 3, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

In Witness Whereof, each of the undersigned has signed this Certification as of this November 6, 2023.

/s/ GREGORY S. LEVIN

Gregory S. Levin
Chief Executive Officer and President
(Principal Executive Officer)

/s/ THOMAS A. HOUDEK

Thomas A. Houdek
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
