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 1, 2024

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	**33-0485615**
(State or other jurisdiction of incorporation or organization)	(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 1, 2024, there were 22,816,526 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 1, 2024 (unaudited)	January 2, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 18,422	$ 29,070
Accounts and other receivables, net	17,503	19,469
Inventories, net	12,938	13,245
Prepaid expenses and other current assets	15,605	21,237
Total current assets	64,468	83,021
Property and equipment, net	528,125	525,190
Operating lease assets	341,332	350,091
Goodwill	4,673	4,673
Equity method investment	4,389	4,770
Deferred income taxes, net	55,105	50,147
Other assets, net	43,692	40,562
Total assets	$ 1,041,784	$ 1,058,454
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 47,658	$ 60,641
Accrued expenses	102,626	101,295
Current operating lease obligations	32,856	37,389
Total current liabilities	183,140	199,325
Long-term operating lease obligations	401,696	414,114
Long-term debt	66,500	68,000
Other liabilities	14,273	11,254
Total liabilities	665,609	692,693
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 22,896 and 23,184 shares issued and outstanding as of October 1, 2024 and January 2, 2024, respectively	—	—
Capital surplus	71,652	77,036
Retained earnings	304,523	288,725
Total shareholders' equity	376,175	365,761
Total liabilities and shareholders' equity	$ 1,041,784	$ 1,058,454

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 1, 2024	October 3, 2023	October 1, 2024	October 3, 2023
Revenues	$ 325,702	$ 318,644	$ 1,012,963	$ 1,009,594
Restaurant operating costs (excluding depreciation and amortization):				
Cost of sales	86,673	82,652	261,462	264,143
Labor and benefits	120,718	118,198	372,048	373,053
Occupancy and operating	80,322	80,020	236,746	241,078
General and administrative	20,960	19,473	64,561	60,373
Depreciation and amortization	18,193	17,879	54,229	53,199
Restaurant opening	1,115	1,379	2,005	2,601
Loss on disposal and impairment of assets, net	329	1,430	3,041	4,706
Total costs and expenses	328,310	321,031	994,092	999,153
(Loss) income from operations	(2,608)	(2,387)	18,871	10,441
Other (expense) income:				
Interest expense, net	(1,342)	(1,013)	(4,012)	(3,242)
Other income (expense), net (1)	763	(3)	4,231	815
Total other (expense) income	(579)	(1,016)	219	(2,427)
(Loss) income before income taxes	(3,187)	(3,403)	19,090	8,014
Income tax (benefit) expense	(260)	401	(2,863)	(3,595)
Net (loss) income	$ (2,927)	$ (3,804)	$ 21,953	$ 11,609
Net (loss) income per share:				
Basic	$ (0.13)	$ (0.16)	$ 0.94	$ 0.49
Diluted	$ (0.13)	$ (0.16)	$ 0.92	$ 0.48
Weighted average number of shares outstanding:				
Basic	23,111	23,542	23,246	23,521
Diluted	23,111	23,542	23,864	23,986

(1)For the thirteen weeks ended October 1, 2024 and October 3, 2023, related party costs included in other income, net was an equity method investment loss of $88,000 and $29,000, respectively. For the thirty-nine weeks ended October 1, 2024 and October 3, 2023, related party costs included in other income, net was an equity method investment loss of $381,000 and $129,000, 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	
	Shares	Amount	Surplus	Earnings	Total
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	23,409	$ —	$ 75,385	$ 285,585	$ 360,970
Balance, July 2, 2024	23,138	$ —	$ 72,037	$ 314,452	$ 386,489
Issuance of restricted stock units	27	1,246	(1,390)	—	(144)
Repurchase, retirement and reclassification of common stock	(269)	(1,246)	—	(7,002)	(8,248)
Stock-based compensation	—	—	1,005	—	1,005
Adjustment to dividends previously accrued	—	—	—	—	—
Net loss	—	—	—	(2,927)	(2,927)
Balance, October 1, 2024	22,896	$ —	$ 71,652	$ 304,523	$ 376,175

	For the Thirty-Nine Weeks Ended				
	Common Stock		Capital	Retained	
	Shares	Amount	Surplus	Earnings	Total
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	23,409	$ —	$ 75,385	$ 285,585	$ 360,970
Balance, January 2, 2024	23,184	$ —	$ 77,036	$ 288,725	$ 365,761
Exercise of stock options	5	251	(83)	—	168
Issuance of restricted stock units	230	10,676	(11,712)	—	(1,036)
Repurchase, retirement and reclassification of common stock	(523)	(10,927)	—	(6,156)	(17,083)
Stock-based compensation	—	—	6,411	—	6,411
Adjustment to dividends previously accrued	—	—	—	1	1
Net income	—	—	—	21,953	21,953
Balance, October 1, 2024	22,896	$ —	$ 71,652	$ 304,523	$ 376,175

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 1, 2024	**October 3, 2023**
Cash flows from operating activities:		
Net income	$ 21,953	$ 11,609
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	54,229	53,199
Non-cash lease expense	23,899	24,753
Amortization of financing costs	163	163
Deferred income taxes	(4,958)	(3,998)
Stock-based compensation expense	6,156	8,089
Loss on disposal and impairment of assets, net	3,041	4,706
Equity method investment	381	129
Changes in assets and liabilities:		
Accounts and other receivables	2,816	12,658
Inventories, net	801	(2,097)
Prepaid expenses and other current assets	3,512	(152)
Other assets, net	(4,189)	(2,091)
Accounts payable	(9,383)	(4,619)
Accrued expenses	1,343	4,344
Operating lease obligations	(32,941)	(33,099)
Other liabilities	3,019	17
Net cash provided by operating activities	69,842	73,611
Cash flows from investing activities:		
Purchases of property and equipment	(61,028)	(81,968)
Proceeds from sale of assets	—	4
Net cash used in investing activities	(61,028)	(81,964)
Cash flows from financing activities:		
Borrowings on line of credit	646,100	534,000
Payments on line of credit	(647,600)	(534,000)
Taxes paid on vested stock units under employee plans	(1,036)	(500)
Proceeds from exercise of stock options	168	271
Cash dividends accrued under stock compensation plans	(11)	(26)
Repurchase of common stock	(17,083)	(4,300)
Net cash used in financing activities	(19,462)	(4,555)
Net decrease in cash and cash equivalents	(10,648)	(12,908)
Cash and cash equivalents, beginning of period	29,070	24,873
Cash and cash equivalents, end of period	$ 18,422	$ 11,965

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 1, 2024	**October 3, 2023**
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 4,723	$ 406
Cash paid for interest, net of capitalized interest	$ 3,420	$ 2,538
Cash paid for operating lease obligations	$ 46,826	$ 47,609
Supplemental disclosure of non-cash investing and financing activities:		
Operating lease assets obtained in exchange for operating lease obligations	$ 15,990	$ 14,730
Property and equipment acquired and included in accounts payable	$ 6,314	$ 9,301
Stock-based compensation capitalized	$ 255	$ 285

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 1, 2024 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 2, 2024. 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, 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 "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 1, 2024	January 2, 2024
Gift card liability	$ 9,793	$ 14,380
Deferred loyalty revenue	$ 2,735	$ 2,510

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 1, 2024	October 3, 2023	October 1, 2024	October 3, 2023
Revenue recognized from gift card liability	$ 1,405	$ 1,493	$ 9,308	$ 9,923
Revenue recognized from guest loyalty program	$ 906	$ 929	$ 6,220	$ 6,239

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 optional lease term extension periods when the exercise of the lease term extension 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 1, 2024	October 3, 2023	October 1, 2024	October 3, 2023
Lease cost	$ 14,315	$ 15,133	$ 43,146	$ 44,817
Variable lease cost	834	700	2,626	3,107
Total lease costs	$ 15,149	$ 15,833	$ 45,772	$ 47,924

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 1, 2024, there were borrowings of $66.5 million and letters of credit of $17.2 million outstanding, leaving $131.3 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 1, 2024 and October 3, 2023 was approximately 6.9% and 6.6%, respectively. Effective October 29, 2024, we amended our Credit Facility to replace the referenced interest rate from BSBY, which will no longer be reported effective in November 2024, to a term Secured Overnight Financing Rate ("Term SOFR"). See Note 11 for further information.

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 1, 2024, 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 $4.0 million and $3.2 million, for the thirty-nine weeks ended October 1, 2024 and October 3, 2023, respectively. We also capitalized approximately $0.2 million and $0.4 million of interest expense related to new restaurant construction during each of the thirty-nine weeks ended October 1, 2024 and October 3, 2023, respectively.

5. NET 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 income (loss) 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 1, 2024	October 3, 2023	October 1, 2024	October 3, 2023
Numerator:				
Net (loss) income	$ (2,927)	$ (3,804)	$ 21,953	$ 11,609
Denominator:				
Weighted-average shares outstanding – basic	23,111	23,542	23,246	23,521
Dilutive effect of equity awards	—	—	618	465
Weighted-average shares outstanding – diluted	23,111	23,542	23,864	23,986
Net (loss) income per share:				
Basic	$ (0.13)	$ (0.16)	$ 0.94	$ 0.49
Diluted	$ (0.13)	$ (0.16)	$ 0.92	$ 0.48

For each of the thirteen weeks ended October 1, 2024 and October 3, 2023, there were approximately 1.0 million and 1.8 million, respectively, of equity awards that were excluded from the calculation of diluted net income (loss) per share because they were anti-dilutive. For each of the thirty-nine weeks ended October 1, 2024 and October 3, 2023, there were approximately 1.0 million and 1.8 million, respectively, of equity awards that were excluded from the calculation of diluted net income per share because they were anti-dilutive.

6. STOCK-BASED COMPENSATION

Our current shareholder approved stock-based compensation plan is the BJ's Restaurants, Inc. 2024 Equity Incentive Plan, (as it may be 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, and service- and performance-based RSUs. In Fiscal 2024, we also granted market-based RSUs. 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. Awards of stock options or stock appreciation rights are charged against the Plan share reserve on the basis of one share for each share granted. All other awards are charged against the 2024 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.

We use the Black-Scholes option-pricing model to determine the fair value of our stock options, and we use the Monte Carlo simulation model to determine the fair value of our performance-based RSUs, which include a market-based metric. Both models require assumptions to be made regarding our stock price volatility, the expected life of the award, risk-free interest rate and expected dividend rates. The fair value of service-based and performance-based RSUs granted 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 grant date fair value of each stock option, market-based and service-based RSU is expensed over the vesting period (e.g., one, three or five years) and the fair value of each performance-based RSU is expensed based on the estimated quantity that is expected to vest corresponding with management's current estimate of the level that the performance goal will be achieved.

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 1, 2024	October 3, 2023	October 1, 2024	October 3, 2023
Labor and benefits	$ 727	$ 577	$ 1,764	$ 1,853
General and administrative	$ 185	$ 2,092	$ 4,392	$ 6,236
Capitalized (1)	$ 92	$ 97	$ 255	$ 285
Total stock-based compensation	$ 1,004	$ 2,766	$ 6,411	$ 8,374

(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 1, 2024	October 3, 2023
Volatility	67.5%	66.9%
Risk-free interest rate	3.9%	3.5%
Expected life (years)	5	5
Expected dividend yield	—%	—%
Fair value of options granted	$ 18.86	$ 18.31

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 2, 2024	867	$ 39.70	648	$ 41.65
Granted	141	31.87		
Exercised	(5)	31.54		
Forfeited	(80)	32.34		
Outstanding at October 1, 2024	923	$ 39.20	741	$ 41.10

As of October 1, 2024, total unrecognized stock-based compensation expense related to non-vested stock options was approximately $2.2 million, which is expected to be recognized over the next three years.

Restricted Stock Units

Service-Based Restricted Stock Units

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

	Shares (in thousands)	Weighted Average Fair Value
Outstanding at January 2, 2024	822	$ 31.46
Granted	257	32.94
Released	(196)	38.80
Forfeited	(111)	29.96
Outstanding at October 1, 2024	772	$ 30.29

As of October 1, 2024, total unrecognized stock-based compensation expense related to non-vested service-based RSUs was approximately $11.7 million, which is expected to be recognized over the next three to 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 2, 2024	128	$ 36.24
Awarded	79	39.09
Released	(65)	46.91
Forfeited	(59)	32.93
Outstanding at October 1, 2024	83	$ 32.89

The fair value of performance-based RSUs, which include a market-based metric, was estimated on the grant date using the Monte Carlo simulation model with the following weighted average assumptions:

	For the Thirty-Nine Weeks Ended	
	October 1, 2024	October 3, 2023
Volatility	49.8%	n/a
Risk-free interest rate	3.8%	n/a
Expected life (years)	3	n/a
Expected dividend yield	—%	n/a
Fair value of market-based awards granted	$ 34.79	n/a

As of October 1, 2024, the total unrecognized stock-based compensation expense related to non-vested market-based and performance-based RSUs was approximately $1.1 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 significant estimates and judgment including estimating 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 generated in the current fiscal year. 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 rate for the thirty-nine weeks ended October 1, 2024 was a benefit of 15.0% compared to a benefit rate of 44.9% for the comparable thirty-nine weeks ended October 3, 2023. The effective tax rate benefit for the thirty-nine weeks ended October 1, 2024 and October 3, 2023, was different from the statutory tax rate primarily as a result of significant Federal Insurance Contributions Act ("FICA") tax tip credits.

As of October 1, 2024, we had unrecognized tax benefits of approximately $1.1 million, of which approximately $1.0 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 1, 2024	October 3, 2023
Beginning gross unrecognized tax benefits	$ 967	$ 1,249
Increases for tax positions taken in prior years	29	102
Increases for tax positions taken in the current year	100	123
Decreases due to lapse of statute of limitations	—	(236)
Ending gross unrecognized tax benefits	$ 1,096	$ 1,238

Our uncertain tax positions are related to tax years that remain subject to examination by tax agencies. As of October 1, 2024, the earliest tax year still subject to examination by the Internal Revenue Service is 2020, although 2015 is still open due to amendments related to a net operating loss carryback. The earliest year still subject to examination by a significant state or local taxing authority is 2019.

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 1, 2024, we repurchased and retired approximately 523,000 shares of our common stock at an average price of $32.67 per share for approximately $17.1 million, which is recorded as a reduction in common stock, with any excess charged to retained earnings. In February 2024, our Board of Directors approved an increase in our share repurchase program by $50 million. We currently have approximately $44.0 million available under our authorized $550 million share repurchase program as of October 1, 2024. Repurchases may be made at any time.

Cash Dividends

We currently do not pay any cash dividends. Any payment of quarterly cash dividends will be subject to our Board of Directors determining that the payment of dividends is in the best interest of the Company and its shareholders.

10. RELATED PARTY TRANSACTIONS

Equity Method Investment

During fiscal 2022, we contributed assets valued at $5.0 million to a company, in which our Board member and former Chief Executive Officer 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 1, 2024 and October 3, 2023, we recorded a net loss related to the investment of $0.4 million and $0.1 million, respectively, within "Other income, net," and accordingly adjusted the investment carrying amount on our Consolidated Balance Sheets.

11. SUBSEQUENT EVENTS

Effective October 29, 2024, we entered into an Amendment No. 1 (Conforming Changes) to Fourth Amended and Restated Credit Agreement ("the Amendment") with Bank of America, N.A. ("BofA"), as the Administrative Agent pursuant to which the Company modified the Fourth Amended and Restated Credit Agreement (the "Credit Agreement"), dated November 3, 2021, with Bank of America, N.A. BofA, JPMorgan Chase Bank, N.A., and certain other parties. Pursuant to the Amendment, the referenced interest rate was changed from the Bloomberg Short-Term Bank Yield Index rate ("BSBY") (which will no longer be reported effective in November 2024), to a term Secured Overnight Financing Rate ("Term SOFR"). The impact of this change is expected to be immaterial on our Consolidated Statements of Operations. See Note 4 for further information.

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 2, 2024, as updated in our Form 10-Q for the thirty-nine weeks ended October 1, 2024, 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. As of November 4, 2024, BJ's owns and operates 218 restaurants located in 31 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, and the world-famous Pizookie® dessert. We also offer our award-winning BJ's craft beers, which are produced at four in-house brewing facilities, two standalone brewpubs and by independent third-party brewers using our proprietary recipes, alongside a full bar featuring innovative cocktails.

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. 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 1, 2024 and October 3, 2023, 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 1, 2024	October 3, 2023	October 1, 2024	October 3, 2023
Revenues	100.0%	100.0%	100.0%	100.0%
Restaurant operating costs (excluding depreciation and amortization):				
Cost of sales	26.6	25.9	25.8	26.2
Labor and benefits	37.1	37.1	36.7	37.0
Occupancy and operating	24.7	25.1	23.4	23.9
General and administrative	6.4	6.1	6.4	6.0
Depreciation and amortization	5.6	5.6	5.4	5.3
Restaurant opening	0.3	0.4	0.2	0.3
Loss on disposal and impairment of assets, net	0.1	0.4	0.3	0.5
Total costs and expenses	100.8	100.7	98.1	99.0
(Loss) income from operations	(0.8)	(0.7)	1.9	1.0
Other (expense) income:				
Interest expense, net	(0.4)	(0.3)	(0.4)	(0.3)
Other income (expense), net	0.2	0.0	0.4	0.1
Total other (expense) income	(0.2)	(0.3)	0.0	(0.2)
(Loss) income before income taxes	(1.0)	(1.1)	1.9	0.8
Income tax (benefit) expense	(0.1)	0.1	(0.3)	(0.4)
Net (loss) income	(0.9)%	(1.2)%	2.2%	1.1%

Thirteen Weeks Ended October 1, 2024 Compared to Thirteen Weeks Ended October 3, 2023

Revenues. Total revenues increased by $7.1 million, or 2.2%, to $325.7 million during the thirteen weeks ended October 1, 2024, from $318.6 million during the comparable thirteen-week period of 2023. The increase in revenues primarily consisted of a 1.7%, or $5.2 million, increase in comparable restaurant sales, and $5.4 million related to sales from new restaurants not yet in our comparable restaurant sales base. This increase was offset by a $2.7 million decrease related to closed restaurants and $0.7 million primarily related to gift card breakage and loyalty redemptions. The increase in comparable restaurant sales was due to an increase in guest traffic of approximately 1.3%, coupled with an increase in average check of approximately 0.4%, resulting from menu price increases, changes in mix and a higher level of promotions.

Cost of Sales. Cost of sales increased by $4.0 million, or 4.9%, to $86.7 million during the thirteen weeks ended October 1, 2024, from $82.7 million during the comparable thirteen-week period of 2023. This was primarily due to higher commodity costs related to poultry and avocados. As a percentage of revenues, cost of sales increased to 26.6% for the current thirteen-week period from 25.9% for the prior year comparable period. This increase was primarily due to higher commodity costs and a higher level of promotions, partially offset by menu price increases.

Labor and Benefits. Labor and benefit costs for our restaurants increased by $2.5 million, or 2.1%, to $120.7 million during the thirteen weeks ended October 1, 2024, from $118.2 million during the comparable thirteen-week period of 2023. This was primarily due to $1.5 million related to higher management compensation, $0.9 million related to higher hourly labor, $0.8 million in taxes and benefits, and $0.1 million in higher stock-based compensation expense, offset by $0.9 million related to lower workers' compensation costs. As a percentage of revenues, labor and benefit costs remained consistent at 37.1% for the current thirteen-week period and the prior year comparable period. Included in labor and benefits for the thirteen weeks ended October 1, 2024 and October 3, 2023, was approximately $0.7 million and $0.6 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 $0.3 million, or 0.4%, to $80.3 million during the thirteen weeks ended October 1, 2024, from $80.0 million during the comparable thirteen-week period of 2023. This was primarily due to increases of $1.2 million in marketing-related expenses, offset by decreases of $0.9 million in restaurant facility expenses. As a percentage of revenues, occupancy and operating expenses decreased to 24.7% for the current thirteen-week period from 25.1% for

the prior year comparable period. This decrease was primarily related to improved operational efficiency and the effectiveness of our cost savings initiatives, coupled with a higher revenue base.

General and Administrative. General and administrative expenses increased by $1.5 million, or 7.6%, to $21.0 million during the thirteen weeks ended October 1, 2024, from $19.5 million during the comparable thirteen-week period of 2023. This was primarily due to increases of $1.7 million in personnel related costs, $0.8 million related to our deferred compensation liability, $0.4 million in legal fees, $0.3 million in office expenses, and $0.3 million in recruiting related expenses**,** offset by lower stock-based compensation of $1.9 million, and incentive compensation of $0.4 million. General and administrative expenses during the thirteen weeks ended October 1, 2024 included a net charge of $1.7 million related to our leadership transition and severance, relocation and signing bonus expenses, offset by a $2.1 million stock-based compensation credit related to the reversal of previously awarded stock-based compensation expense in conjunction with our leadership transition. As a percentage of revenues, general and administrative expenses increased to 6.4% for the current thirteen-week period from 6.1% for the prior year comparable period. This increase is primarily related to increased deferred compensation liability and personnel costs, coupled with legal and recruiting fees, offset by lower stock-based compensation expense related to our leadership transition. Included in general and administrative costs was stock-based compensation expense of approximately $0.2 million and $2.1 million, or 0.1% and 0.7% of revenues for the thirteen weeks ended October 1, 2024 and October 3, 2023, respectively.

Depreciation and Amortization. Depreciation and amortization increased by $0.3 million, or 1.8%, to $18.2 million during the thirteen weeks ended October 1, 2024, compared to $17.9 million during the comparable thirteen-week period of 2023. This increase was primarily related to depreciation expense related to our restaurants opened since the thirteen weeks ended October 3, 2023, coupled with depreciation related to our remodeled restaurants, partially offset by the impact of impairment and disposal charges taken in the prior year, and the closure of two restaurants since the thirteen weeks ended October 3, 2023. 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 decreased by $0.3 million, or 19.1%, to $1.1 million during the thirteen weeks ended October 1, 2024, compared to $1.4 million during the comparable thirteen-week period of 2023. This decrease was primarily due to the timing of openings.

Loss on Disposal and Impairment of Assets, Net. Loss on disposal and impairment of assets, net, was $0.3 million during the thirteen weeks ended October 1, 2024, and $1.4 million during the comparable thirteen-week period of 2023. For the thirteen weeks ended October 1, 2024, the costs primarily related to disposals of assets in conjunction with initiatives to keep our restaurants up to date. For the thirteen weeks ended October 3, 2023, the costs primarily related 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 $0.3 million to $1.3 million during the thirteen weeks ended October 1, 2024, compared to $1.0 million during the comparable thirteen-week period of 2023. This increase was primarily due to the increase in weighted average interest rate year over year, coupled with a higher average outstanding debt balance.

Other Income, Net. Other income, net, increased to $0.8 million of income during the thirteen weeks ended October 1, 2024. This increase was primarily related to gains associated with the cash surrender value of certain life insurance policies under our deferred compensation plan.

Income Tax Benefit. Our effective income tax rate for the thirteen weeks ended October 1, 2024, was a benefit of 8.2% compared to an expense of 11.8% for the comparable thirteen-week period of 2023. The effective tax rate for the thirteen weeks ended October 1, 2024 and October 3, 2023 was different than the statutory rate primarily due to FICA tax tip credits.

Thirty-Nine Weeks Ended October 1, 2024 Compared to Thirty-Nine-Weeks Ended October 3, 2023

Revenues. Total revenues increased by $3.4 million, or 0.3%, to $1.0 billion during the thirty-nine weeks ended October 1, 2024. The increase in revenues primarily consisted of an $18.5 million increase related to sales from new restaurants not yet in our comparable restaurant sales base, offset by a 0.2%, or $2.4 million, decline in comparable restaurant sales, an $11.2 million decrease related to closed restaurants, and $1.5 million primarily related to gift card breakage and loyalty redemptions. The decrease in comparable restaurant sales was due to a decrease in guest traffic of approximately 2.5%, offset by an increase in average check of approximately 2.3%, resulting from menu price increases and changes in mix.

Cost of Sales. Cost of sales decreased by $2.7 million, or 1.0%, to $261.5 million during the thirty-nine weeks ended October 1, 2024, from $264.1 million during the comparable thirty-nine-week period of 2023. This was primarily due to the effects of our cost savings initiatives, partially offset by higher commodity costs and a higher level of promotions. As a percentage of revenues, cost of sales decreased to 25.8% for the current thirty-nine-week period from 26.2% for the prior year comparable period. This decrease was primarily due to a higher revenue base, menu price increases and the effectiveness of our cost savings initiative, partially offset by higher commodity costs and a higher level of promotions.

Labor and Benefits. Labor and benefit costs for our restaurants decreased by $1.0 million, or 0.3%, to $372.0 million during the thirty-nine weeks ended October 1, 2024, from $373.1 million during the comparable thirty-nine-week period of 2023. This was primarily due to $2.3 million related to lower hourly labor and $1.5 million related to lower workers' compensation, offset by $2.1 million related to increased management compensation costs and $0.7 million related to taxes and benefits. As a percentage of revenues, labor and benefit costs decreased to 36.7% for the current thirty-nine-week period from 37.0% for the prior year comparable period. This decrease was primarily due to improved labor efficiency and the effectiveness of our cost savings initiatives. Included in labor and benefits for the thirty-nine weeks ended October 1, 2024 and October 3, 2023, was approximately $1.8 million and $1.9 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 decreased by $4.3 million, or 1.8%, to $236.7 million during the thirty-nine weeks ended October 1, 2024, from $241.1 million during the comparable thirty-nine-week period of 2023. This was primarily due to decreases of $4.1 million in restaurant facilities expenses, $1.0 million related to equipment rental, $0.9 million in utilities, and $0.3 million in delivery-related fees and expenses, offset by a $1.0 million increase in credit card processing fees and $1.3 million in marketing expenditures. As a percentage of revenues, occupancy and operating expenses decreased to 23.4% for the current thirty-nine-week period from 23.9% for the prior year comparable period. This decrease was primarily related to improved operational efficiency and the effectiveness of our cost savings initiatives.

General and Administrative. General and administrative expenses increased by $4.2 million, or 6.9%, to $64.6 million during the thirty-nine weeks ended October 1, 2024, from $60.4 million during the comparable thirty-nine-week period of 2023. This was primarily due to increases of $2.1 million in legal fees, $1.9 million in personnel related costs, $1.1 million in corporate expenses related to meeting costs and software amortization, $0.9 million related to our deferred compensation liability, $0.2 million in travel related expenses, and $0.2 million related to recruiting, offset by lower stock-based compensation expense of $1.8 million, and a $0.8 million decrease in incentive compensation. General and administrative costs for the thirty-nine weeks ended October 1, 2024 included a net charge of $1.7 million related to our leadership transition and severance, relocation and signing bonus expenses, $1.5 million of legal costs related to shareholder cooperation agreements and related matters, and $0.3 million in severance related to personnel changes, offset by a $2.1 million stock-based compensation credit related to the reversal of previously awarded stock-based compensation expense in conjunction with our leadership transition. As a percentage of revenues, general and administrative expenses increased to 6.4% for the current thirty-nine-week period from 6.0% for the prior year comparable period. This increase was primarily related to increased legal and corporate expenses arising in connection with our previously announced cooperation agreements and related matters with certain investors. Included in general and administrative costs was stock-based compensation expense of approximately $4.4 million and $6.2 million, or 0.4% and 0.6% of revenues for the thirty-nine weeks ended October 1, 2024 and October 3, 2023, respectively.

Depreciation and Amortization. Depreciation and amortization increased by $1.0 million, or 1.9%, to $54.2 million during the thirty-nine weeks ended October 1, 2024, compared to $53.2 million during the comparable thirty-nine-week period of 2023. This increase was primarily related to depreciation expense related to our restaurants opened since the thirty-nine weeks ended October 3, 2023, partially offset by the impact of impairment and disposal charges taken in the prior year, and the closure of two restaurants since the thirty-nine weeks ended October 3, 2023. As a percentage of revenues, depreciation and amortization increased to 5.4% for the current thirty-nine-week period from 5.3% for the prior year comparable period. This increase was primarily due to increased depreciation expense.

Restaurant Opening. Restaurant opening expense decreased by $0.6 million, or 22.9%, to $2.0 million during the thirty-nine weeks ended October 1, 2024, compared to $2.6 million during the comparable thirty-nine-week period of 2023. This decrease was primarily due to the timing of openings.

Loss on Disposal and Impairment of Assets, Net. Loss on disposal and impairment of assets, net, was $3.0 million during the thirty-nine weeks ended October 1, 2024, and $4.7 million during the comparable thirty-nine-week period of 2023. For the thirty-nine weeks ended October 1, 2024, the cost primarily related to the impairment and reduction in the carrying value of the long-lived assets related to one of our restaurants, coupled with the disposals of assets in conjunction with initiatives to keep our restaurants up to date. 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 $0.8 million to $4.0 million during the thirty-nine weeks ended October 1, 2024, compared to $3.2 million during the comparable thirty-nine-week period of 2023. This increase was primarily due to the increase in weighted average interest rate year over year, coupled with a higher average outstanding debt balance.

Other Income, Net. Other income, net, increased by $3.4 million to $4.2 million of income during the thirty-nine weeks ended October 1, 2024, compared to $0.8 million during the comparable thirty-nine-week period of 2023. This increase was primarily related to a payroll tax credit.

Income Tax Benefit. Our effective income tax rate for the thirty-nine weeks ended October 1, 2024, was a benefit of 15.0% compared to a benefit of 44.9% for the comparable thirty-nine-week period of 2023. The effective tax rate for the thirty-nine weeks ended October 1, 2024 and October 3, 2023, was different than the statutory rate primarily due to 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 1, 2024	January 2, 2024
Cash and cash equivalents	$ 18,422	$ 29,070
Net working capital	$ (118,672)	$ (116,304)
Current ratio	0.4:1.0	0.4:1.0

Our capital requirements are driven by our fundamental financial objective to improve total shareholder return through a balanced approach of new restaurant expansion plans, enhancements and initiatives focused on existing restaurants and return of capital to our shareholders through our share repurchase program. In addition, we want to maintain a flexible balance sheet to provide the financial resources necessary to manage the risks and uncertainties of conducting our business operations in the restaurant industry. In order to achieve these objectives, we use a combination of operating cash flows, debt, landlord allowances and proceeds from stock option exercises.

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 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 1, 2024	October 3, 2023
Net cash provided by operating activities	$ 69,842	$ 73,611
Net cash used in investing activities	(61,028)	(81,964)
Net cash used in financing activities	(19,462)	(4,555)
Net decrease in cash and cash equivalents	$ (10,648)	$ (12,908)

Operating Cash Flows

Net cash provided by operating activities was $69.8 million during the thirty-nine weeks ended October 1, 2024, representing a $3.8 million decrease from the $73.6 million provided during the thirty-nine weeks ended October 3, 2023. The decrease over prior year is

primarily due to the timing of accounts receivable receipts coupled with the timing of accounts payable and accrued expense payments, offset by improved net income.

Investing Cash Flows

Net cash used in investing activities was $61.0 million during the thirty-nine weeks ended October 1, 2024, representing a $20.9 million decrease from the $82.0 million used during the thirty-nine weeks ended October 3, 2023. The decrease over prior year is primarily due to the number of new restaurant openings coupled with the timing of 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 1, 2024	October 3, 2023
New restaurants	$ 22,889	$ 34,382
Restaurant maintenance and remodels, and key productivity initiatives	37,335	46,956
Restaurant and corporate systems	804	630
Total capital expenditures	$ 61,028	$ 81,968

As of November 4, 2024, we have opened three new restaurants and closed one restaurant this year. We currently anticipate our total capital expenditures for fiscal 2024 to be approximately $75 million. This estimate includes costs to open new restaurants and remodel existing locations and excludes 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 $19.5 million during the thirty-nine weeks ended October 1, 2024, representing a $14.9 million increase from the $4.6 million used during the thirty-nine weeks ended October 3, 2023. The increase over prior year is primarily due to an increase in shares repurchased.

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 1, 2024, we are not involved in any off-balance sheet arrangements.

IMPACT OF INFLATION

Inflation has had an 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. In addition, macroeconomic conditions that impact consumer discretionary spending for food away from home could make additional menu price increases imprudent. Whether we are able to continue to offset the effects of inflation through menu price increases or cost savings will determine to what extent, if any, inflation affects our restaurant profitability in future periods.

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 2, 2024. During the thirty-nine weeks ended October 1, 2024, 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 $66.5 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 1, 2024, 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 2, 2024.

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

As of October 1, 2024, we have cumulatively repurchased shares valued at approximately $506.0 million in accordance with our approved share repurchase plan since its inception in 2014. During the thirty-nine weeks ended October 1, 2024, we repurchased and retired shares valued at approximately $17.1 million. 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. In February 2024, our Board of Directors approved an increase in our share repurchase program by $50 million. As a result, we had approximately $44.0 million available under our authorized $550 million share repurchase program as of October 1, 2024.

The following table sets forth information with respect to the repurchase of common shares during the thirty-nine weeks ended October 1, 2024:

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
01/03/24 - 01/30/24	—	$ —	—	$ —	$ 11,055,206
01/31/24 - 02/27/24	—	$ —	—	$ 50,000,000	$ 61,055,206
02/28/24 - 04/02/24	—	$ —	—	$ —	$ 61,055,206
04/03/24 - 04/30/24	—	$ —	—	$ —	$ 61,055,206
05/01/24 - 05/28/24	86,960	$ 34.54	86,960	$ —	$ 58,051,544
05/29/24 - 07/02/24	167,665	$ 34.78	167,665	$ —	$ 52,220,358
07/03/24 - 07/30/24	—	$ —	—	$ —	$ 52,220,358
07/31/24 - 08/27/24	—	$ —	—	$ —	$ 52,220,358
08/28/24 - 10/01/24	268,312	$ 30.74	268,312	$ —	$ 43,971,572
Total	522,937		522,937		

(1)Period information is presented in accordance with our fiscal months during fiscal 2024.

Item 6. EXHIBITS

Exhibit Number	Description
3.1	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.
3.2	Amended and Restated Bylaws of the Company, incorporated by reference to Exhibit 3.1 of the Form 8-K filed on August 14, 2020.
3.3	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.
3.4	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.
4.1	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).
10.1	Employment Agreement, dated August 22, 2024, between the Company and C. Bradford Richmond, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 28, 2024.
10.2	Employment Agreement, dated August 23, 2024, between the Company and Lyle D. Tick, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 3, 2024.
10.3	Amendment No. 1 (Conforming Changes) to Fourth Amended and Restated Credit Agreement dated as of October 29, 2024, among the Company and Bank of America, N.A. and the other lenders identified therein.
31	Section 302 Certification of Chief Executive Officer and Chief Financial Officer.
32	Section 906 Certification of Chief Executive Officer and Chief Financial Officer.
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
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 4, 2024

By: /s/ C. BRADFORD RICHMOND
C. Bradford Richmond
Interim Chief Executive Officer
(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)