

Table of Contents

I. Introduction

II. Business history and future

- a. Industry
- b. Ruth's Hospitality Group
- c. Flanigan's Enterprises

III. Financial Analysis

a. Ratio analysis explanation

- i. Liquidity ratios
- ii. Activity ratios
- iii. Solvency ratios
- iv. Probability ratios

b. Horizontal and vertical analysis

- i. Overview
- ii. Complementary application

IV. Liquidity analysis

- a. Industry
- b. Ruth's Hospitality Group
- c. Flanigan's Enterprises

V. Activity analysis

- a. Industry
- b. Ruth's Hospitality Group
- c. Flanigan's Enterprises

VI. Solvency analysis

- a. Industry
- b. Ruth's Hospitality Group
- c. Flanigan's Enterprises

VII. Profitability analysis

1

Page
numbers

- a. Industry
- b. Ruth's Hospitality Group
- c. Flanigan's Enterprises

VIII. Horizontal and vertical analysis

IX. Comparative analysis

- a. Creditworthiness analysis
 - i. Short-term
 - ii. Long-term
- b. Investment attractiveness analysis.
- c. Recommendations and current developments

X. Summary and conclusions

XI. References/Biography

XII. Appendices

- a. Analysis tables- Ruth's Hospitality Group Income Statement
- b. Analysis tables- Flanigan's Enterprises Income Statement

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I. Introduction { 2 or 3 P's (paragraphs) covering objective, scope and methodology/organization

According to the study or analysis of Financial Statements, it is a method of reviewing and analyzing the accounting reports (financial statements) of a company to evaluate its projected past, present or future performance. This process allows a better business or financial decision based on the results ^{from the analysis of} analyzed in the financial statements.

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It is a requirement for companies listed on the United States stock exchange, to present their financial statements to Securities and Exchange Commission (SEC). This allows the performance to be assessed over the years through the annual report presented to interested parties. As the financial statements are prepared to meet the requirements, the second step in the process is to analyze them effectively so that future profitability and cash flows can be forecast.

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Therefore, The main objective of the analysis of the financial statements is to use information about the company's past performance to predict how it will do in the future. Another important purpose of analyzing the financial statements is to identify potential problem areas and solve them.

→ Be specific about your two companies

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There may be different stakeholders in the analysis of financial statements. These can be classified into internal and external users. Internal users refer to the administration of the company that analyzes the financial statements to make decisions related to the company's operations. On the other hand, external users do not necessarily belong to the company, but they still have some kind of financial interest. These include owners, investors, creditors, government, employees, customers and the general public.

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Company managers, large or small, need to analyze and use the financial statements to make intelligent decisions about performance. You make the right decisions through an efficient analysis of the financial statements can be a very valuable tool for any manager or manager of any company. For example, they can measure the cost per distribution channel, or how much cash they have left, of their accounting reports and make decisions based on these analysis results. Small business owners need a lot of financial information about their operations in order to determine the profitability of the company. It helps to make decisions as if to continue operating the business, whether to improve business strategies or abandon the business altogether. People who have bought shares or shares in a company need financial information to analyze the company's performance. They use financial statement analysis to determine what to do with their

investments in the company. Then, depending on how the company is doing, they will keep their shares, sell them or buy more.

Creditors are interested in knowing if a company will be able to make their payments when they expire. They use the cash flow analysis of the company's accounting records to measure the liquidity of the company or its ability to make short-term payments.

The governing and regulatory bodies of the state analyze the analysis of the financial statements to determine how the economy performs in general in order to plan its financial and industrial policies. Tax authorities also analyze a company's statements to calculate the tax burden that the company has to pay.

Employees need to know if their employment is safe and if there is a possibility of a raise. They want to be aware of the profitability and stability of their company. Employees may also be interested in knowing the financial position of the company to see if there can be expansion plans and, therefore, career prospects for them.

Customers need to know about the company's ability to serve its customers in the future. The need to know the stability of the company's operations increases if the customer (that is, a distributor or supplier of specialized products) depends entirely on the company for its supplies.

Introduction here in less than a page

II. Business history and future

a. Industry

The hospitality industry is a great field within the goods and services industry that includes smaller fields such as hotels and accommodation, event planning, theme parks, transportation, cruise lines and other fields within the tourism industry. *2nd sentence*

Since the hotel industry is broad, it is very important to define a set of financial indexes that can be used to analyze companies throughout the industry, regardless of operations. The hotel industry will therefore have many amounts of fixed and tangible assets and, therefore, requires a very specific set of financial indexes to accurately analyze the industry and reach conclusions based on the performance of individual companies. The following are key financial reasons that an interested party can use to analyze companies within the hotel industry. The following are key financial reasons that an interested party can use to analyze companies within the hotel industry:

Page #s 1

All true but not get more here

2 sentences per #

Industry is casual dining

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- **Liquidity Ratios** provide stakeholders with information regarding a company's ability to meet its short-term financial obligations. The hospitality industry needs a high amount of working capital and has a lot of short-term financial obligations to cover, making liquidity ratios an integral part of the industry's analysis.
- **Financial leverage ratios** give stakeholders an understanding of the long-term solvency of a firm in the hospitality industry. These ratios measure a company's ability to meet its long-term debt obligations.
- **Profitability ratios** measure a company's level of profitability, at the gross profit, operating profit, and net profit levels. For companies in the hospitality industry, billions of dollars are generated, and many companies are long-established, meaning high profit margins should be generated at all levels.

→ Subheading

b. Ruth's Hospitality Group, Inc. ^{This} is a Delaware corporation formerly known as Ruth's Chris Steak House, Inc. ^{This} The Company was founded in 1965, when Ruth Fertel mortgaged her home for \$ 22,000 to buy "Chris Steak House", a restaurant of 60 seats located near the New Orleans Fair Grounds race track. After a fire destroyed the original restaurant, Ruth moved her restaurant to a new facility with a capacity of 160 seats. As the terms of the original purchase prevented the use of the name "Chris Steak House" in a new restaurant, Ruth added her name to that of the original restaurant, thus creating the "Ruth's Chris Steak House" brand. (Cite to source)
The Company began to expand in 1972, when Ruth opened a second restaurant in Metairie, located in a suburb of New Orleans. In 1976, another restaurant was opened in Baton Rouge, Louisiana, which was Ruth's first Chris Steak House, which would be owned by a franchise. In 2005, the Company and certain selling shareholders completed an initial public offering of the Company's common shares, which is currently listed on the Nasdaq Global Select Market with the symbol "RUTH". (Cite to source)
At the end of the year, specifically on December 30, 2018, there were 156 Ruth's Chris Steak House restaurants, which included 78 restaurants owned by the Company, three restaurants that operated under contractual agreements and 75 restaurants owned by franchisees, including 20 international restaurants Franchise ownership in Aruba, Canada, China, Hong Kong, Indonesia, Japan, Mexico, Singapore and Taiwan. (Cite to source)
On December 12, 2017, the entire company saw the acquisition of all the assets of six Ruth's Chris Steak House, owned by a franchise, located in Hawaii (the "Hawaiian restaurants") as very

necessary or essential \$ 35.4 million cash purchase. The results of operations, financial position and cash flows of Hawaiian restaurants are included in the consolidated financial statements at the date of acquisition. *(Cite to source)*

The Company uses a 52 or 53 week reporting period that ends on the last Sunday of December. The period ended December 31, 2017 (fiscal year 2017) had a reporting period of 53 weeks. The periods that ended on December 30, 2018 (fiscal year 2018) and December 25, 2016 (fiscal year 2016) had a 52-week reporting period. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and include the financial statements of Ruth's Hospitality Group, Inc. and its wholly owned subsidiaries. The Company adopted a strategy to provide total return to shareholders by maintaining a healthy core business, growing with a disciplined investment approach and returning excess capital to shareholders. The company strives to maintain a healthy core business by increasing sales through traffic, managing operating margins and leveraging its infrastructure. The Company is committed to disciplined growth in markets with attractive sales attributes and solid financial returns. The Company sees in its franchisee program a point of competitive differentiation and always seeks to increase its franchise-owned restaurant locations. The Company may also consider acquiring franchise-owned restaurants on good terms that it considers beneficial for both the Company and the franchisee. *(Cite to source)*

→ *Flanigan's Enterprises, Inc.*

As of September 29, 2018, Flanigan's Enterprises, Inc., a Florida corporation, together with its subsidiaries, operates 26 units, which consist of restaurants, liquor stores and combined liquor/package stores that we own or have operational control over and partial ownership in; and grants a franchise of five additional units, consisting of two restaurants and three combined restaurants/liquor stores in package.

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Flanigan's joined Florida in 1959 and began operating as a chain of small cocktail lounges and liquor stores throughout South Florida. By 1970, he had established a chain of salons and liquor stores "Big Daddy's" between Vero Beach and Homestead, Florida. From 1970 to 1979, Flanigan's experienced an expansion of its liquor store and salon operations throughout Florida and opened clubs in five other "Sun Belt" states. In 1975, Flanigan interrupted most of its package shop operations in Florida, except in the South Florida areas of Miami-Dade, Broward, Palm Beach and Monroe counties. In 1982 he expanded the club's operations to the Philadelphia, Pennsylvania area, as a general partner of several limited partnerships that the company

organized. In March 1985, Flanigan's began franchising packages of liquor stores and salons in the South Florida area.

During fiscal year 1987, they began to renovate their classrooms to provide a full meal service in restaurants, and subsequently renewed and added the food service in most of their classrooms. Food sales currently represent approximately 76.4% and bar sales approximately 23.6% of total restaurant sales.

Its package liquor stores emphasize high-volume businesses by providing customers with a wide variety of branded and private label products at discounted prices. Its restaurants offer alcoholic beverages and full service meals with abundant portions and reasonable prices, served in a relaxed, friendly and informal atmosphere.

Flanigan carries out its operations directly and through a series of limited companies and wholly owned subsidiaries. Its subsidiaries and limited partnerships (with the exception of the limited partnership, where they are not the general partner, who owns and operates their franchised restaurant in Fort Lauderdale, Florida) are informed in a consolidated manner.

Flanigan's executive officers have created an employee culture, food culture and business strategy in their company that has been critical to their success and that can be difficult to replicate under another administrative team.

The company has a 52/53 week fiscal year ending on the last Saturday of September. Fiscal year 2018 ended on September 29, 2018, fiscal year 2017 ended on September 30, 2017 and fiscal year 2016 ended on October 1, 2016.

III. Financial Analysis

a. Ratio analysis explanation (omitted text)

i. Liquidity ratios = Current assets/Current liabilities

Ruth's

2018	$\frac{36,352}{46,902}$	=0.78
2017	$\frac{37,045}{45,929}$	=0.81

Table
in
IV

$$2016 \quad \frac{34,420}{41,260} = 0.83$$

Flanigan's

$$2018 \quad \frac{18,768,000}{9,219,000} = 2.04$$

$$2017 \quad \frac{14,573,000}{8,066,000} = 1.81$$

$$2016 \quad \frac{15,151,000}{7,790,000} = 1.94$$

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ii. Activity ratios (*omitted text*)

Inventory Turnover Ratio = Cost of Goods Sold/Average Inventory for the year

Ruth's

2018 - 35.1087

2017 - 34.7381

2016 - 37.8683

Flanigan's

2018 - 14.121

2017 - 15.3557

2016 - 15.5629

Accounts Receivable Turnover = Annual Sales on Credit/Average Accounts Receivable

Ruth's

2018 - 23.2252

2017 - 19.1817

2016 - 18.5641

Flanigan's

2018 - 239.4451

2017 - 215.3669

*Table
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V*

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2016 - 150.389

Days of Receivable = $365 \text{ days} / \text{Account Receivable Turnover Ratio}$

Ruth's

2018 - 15.7157

2017 - 19.0286

2016 - 19.6616

Flanigan's

2018 - 1.5244

2017 - 1.6948

2016 - 2.427

iii. Solvency ratios

(omitted text)

Debt ratio = $\text{Total liabilities} / \text{Total Assets}$

Ruth's

2018 - 0.3127

2017 - 0.3861

2016 - 0.2404

Flanigan's

2018 - 0.2338

2017 - 0.2287

2016 - 0.1919

iv. Probability ratios

(omitted text)

Gross profit margin = $\text{Net sales} - \text{COG} / \text{Net Sales}$

Ruth's

2018 - 27.8476

2017 - 27.2449

2016 - 27.432

Flanigan's

Omitted T/E ratios

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2018 - 59.9003
2017 - 59.1461
2016 - 60.4538

Return on total assets = Net income + Interest expenses / Average total assets

Ruth's

2018 - 16.3385
2017 - 12.493
2016 - 14.8237

Flanigan's

2018 - 8.0131
2017 - 7.2551
2016 - 8.8101

Return on equity = net income returned / shareholders' equity

Ruth's

2018 - 46.1545
2017 - 38.0421
2016 - 38.9259

Flanigan's

2018 - 13.0376
2017 - 11.4994
2016 - 13.6815

b. Horizontal and vertical analysis

(text omitted)

Ruth's

Operating income for fiscal year 2018 increased from fiscal year 2017 by \$5.0 million to \$51.7 million. Operating income for fiscal year 2018 was favorably impacted by a \$37.0 million increase in restaurant sales, which was offset by increased food and beverage costs, restaurant operating expenses, marketing and advertising, general and administrative costs and depreciation and amortization expenses. The Company had a \$3.9 million loss on impairment during fiscal year 2017 that did not reoccur in fiscal year 2018. Higher restaurant sales were attributable to an increase in new Company-owned restaurant sales partially offset by sales at comparable Company-owned restaurants. After-tax income from continuing operations during fiscal year 2018 increased

but no tables in Appendices

Table in VII

Comment - any for VII

from fiscal year 2017 by \$11.4 million to \$41.6 million. Income tax expense decreased \$7.4 million primarily due to the passage of the 2017 Tax Act which reduced the statutory rate from 35% to 21%. Fiscal year 2018 net income increased from fiscal year 2017 by \$11.5 million to \$41.7 million.

Operating income for fiscal year 2017 decreased from fiscal year 2016 by \$877 thousand to \$46.7 million. Operating income for fiscal year 2017 was favorably impacted by a \$27.3 million increase in restaurant sales, which was offset by increased food and beverage costs, restaurant operating expenses, marketing and advertising, general and administrative costs, depreciation and amortization expenses and pre-opening costs. The Company also had a \$3.9 million loss on impairment during fiscal year 2017. Higher restaurant sales were attributable both to an increase in comparable Company-owned restaurant sales and new restaurants. After-tax income from continuing operations during fiscal year 2017 decreased from fiscal year 2016 by \$510 thousand to \$30.2 million. Fiscal year 2017 net income decreased from fiscal year 2016 by \$328 thousand to \$30.1 million.

Flanigan's

Total revenue for their fiscal year 2018 increased \$6,675,000 or 6.25% to \$113,497,000 from \$106,822,000 for their fiscal year 2017 due to increased menu prices and increased restaurant traffic. Effective September 3, 2017 we increased certain menu prices for their bar offerings to target an increase to their total bar revenues of approximately 4.9% annually and effective September 16, 2017 we increased certain menu prices for their food offerings to target an increase to their total food revenues of approximately 4.0% annually, (the "Price Increases 2017"). We anticipate that total revenue for their fiscal year 2019 will decrease when compared to their fiscal year 2018 due to the fire at their combination restaurant/package liquor store located at 2505 N. University Drive, Hollywood, Florida (Store #19), subsequent to the end of their fiscal year 2018, which will cause this location to be closed for their entire fiscal year 2019, offset to a lesser extent by increased restaurant traffic. Fiscal year 2018 total revenue for their Store #19 was \$5,333,000.

IV. Liquidity analysis

Ruth's

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The liquidity in the company has remained stable over the last three years, cash, inventory and accounts receivable have been stable. In 2018 we have the highest availability of cash while the accounts receivable have decreased, the inventory has increased but not significantly.

The principal sources of cash during fiscal year 2018 were net cash provided by operating activities and borrowings under their senior credit facility. The principal uses of cash during fiscal year 2018 were for principal repayments under the senior credit facility, capital expenditures, common stock repurchases and dividend payments. Cash flows from discontinued operations are combined with the cash flows from continuing operations within each of the categories on their statement of cash flows.

In 2016 the principal sources of cash during fiscal year 2016 were net cash provided by operating activities and borrowings under their prior senior credit facility. Their principal uses of cash during fiscal year 2016 were for capital expenditures, principal repayments under their prior senior credit facility, common stock repurchases and dividend payments. Cash flows from discontinued operations are combined with the cash flows from continuing operations within each of the categories on their statement of cash flows.

Flanigan's

The Liquidity has changed in the last three years favorable way. In 2018 is the year with more cash and less accounts receivable. Although the inventory and accounts payable has increased with respect to 2017 and 2016, but it has not affected the company's liquidity capacity.

As of September 29, 2018, the company had cash of approximately \$13,414,000, an increase of \$3,529,000 from their cash balance of \$9,885,000 as of September 30, 2017. Their cash increased during the first quarter of their fiscal year 2018, because the company borrowed \$3.50 million from their Credit Line just prior to its conversion to the Term Loan on December 28, 2017.

V. Activity analysis

Inventory turnover

Ruth's

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