



May 8, 2012

Carrols Restaurant Group, Inc. Reports Financial Results for the First Quarter of 2012 and Announces Completion of the Spin-off of Fiesta Restaurant Group, Inc.

SYRACUSE, N.Y.--(BUSINESS WIRE)-- Carrols Restaurant Group, Inc. ("Carrols") (NASDAQ: TAST) today announced financial results for the first quarter ended April 1, 2012. It also reported that it completed the spin-off of Fiesta Restaurant Group, Inc. ("Fiesta") to its stockholders on May 7, 2012.

Financial results for the first quarter include Fiesta, which owns and operates the Pollo Tropical® and Taco Cabana® brands, as the spin-off was completed after the first quarter had concluded. Fiesta is now an independent, public company and its common stock is traded on The NASDAQ Global Select Market under the symbol FRGI.

Highlights for the first quarter of 2012 versus the first quarter of 2011 include:

- Total revenues grew 7.3% to \$211.6 million in the first quarter of 2012 compared to \$197.2 million in the first quarter of 2011. Revenues for Fiesta grew 9.1% to \$126.1 million from \$115.6 million in the year-ago period.
- Comparable restaurant sales increased 5.9% at Burger King®, 9.4% at Pollo Tropical, and 6.1% at Taco Cabana;
- Net loss for the first quarter of 2012 was \$3.5 million, or \$0.16 per diluted share, compared to net income of \$2.2 million, or \$0.10 per diluted share in the first quarter of 2011; and
- Earnings in the first quarter of 2012 included certain charges totaling \$9.8 million, or \$0.32 per diluted share after tax, consisting of impairment and other lease charges, stock-based compensation expense related to stock option conversion charges in connection with the spin-off and accelerated vesting of certain restricted stock, and spin-off and acquisition related expenses. Earnings in the first quarter of 2011 included impairment and other lease charges of \$1.1 million, or \$0.03 per diluted share after tax, and spin-off related expenses of \$0.3 million, or \$0.01 per diluted share after tax.

As of April 1, 2012, Carrols owned and operated 297 Burger King restaurants and Fiesta owned and operated 86 Pollo Tropical and 157 Taco Cabana restaurants, and franchised 38 restaurants. Seven restaurants were closed during the period, including one Burger King restaurant, five Pollo Tropical restaurants and one Taco Cabana restaurant.

Commenting on Carrols' Burger King restaurant business, Dan Accordino, Chief Executive Officer of Carrols, said, "During the first quarter, Burger King generated a solid 5.9% increase in comparable restaurant sales along with an improvement in restaurant-level profitability. Burger King is undergoing a broad-based repositioning including changes and enhancements to its existing products and menu, food preparation, brand image and marketing. These are transformational strategic initiatives focused on expanding the brand's reach to a more diverse consumer base, which we believe will contribute to continued improvements in the performance of both the Burger King system and Carrols'."

Accordino continued, "With the Fiesta spin-off behind us, we are now solely focused on the considerable opportunities available to us within the Burger King system. We believe that our pending acquisition of 278 Burger King restaurants from Burger King Corporation, and particularly the strategic nature of this transaction, will position the Company for long-term growth."

Commenting on Fiesta's Pollo Tropical and Taco Cabana restaurant businesses, Tim Taft, Chief Executive Officer of Fiesta said, "Today is a momentous day for Fiesta as it officially began life as a separate public company. We are excited and confident about our future and look forward to Pollo and Taco reaching their full potential. Fiesta got off to a very strong start in 2012. Successful product promotions continued to drive strong comparable restaurant sales growth and improvements in overall restaurant profitability. We are certainly encouraged by our current positive momentum."

Taft continued, "Our strategic focus is three-fold: first, to grow comparable restaurant sales by accentuating our brands' competitive qualities; second, to develop new units and selectively remodel existing locations; and finally, to improve operating margins through sales leverage and supply chain initiatives. As our first quarter results suggest, we believe that we are executing well against these initiatives and are confident that both brands have compelling long-term opportunities."

First Quarter 2012 Financial Results

Total revenues grew 7.3% to \$211.6 million in the first quarter of 2012 compared to \$197.2 million in the first quarter of 2011. Burger King revenues grew 4.7% to \$85.5 million in the first quarter of 2012 from \$81.6 million in the first quarter of 2011. Burger King comparable restaurant sales increased 5.9%.

Fiesta revenues grew 9.1% to \$126.1 million in the first quarter of 2012 from \$115.6 million in the first quarter of 2011. Pollo Tropical revenues grew 10.7% to \$57.8 million, including a comparable restaurant sales increase of 9.4%. Taco Cabana revenues grew 7.8% to \$68.3 million, including a comparable restaurant sales increase of 6.1%.

General and administrative expenses were \$17.4 million in the first quarter of 2012 compared to \$13.9 million in the year-ago period. Included in general and administrative expenses were \$1.5 million (\$0.05 per diluted share after tax) of expenses related to the spin-off of Fiesta and expenses incurred in connection with the planned acquisition of 278 Burger King restaurants from Burger King Corporation ("BKC"). Also included in the first quarter of 2012 were \$1.4 million (\$0.05 per diluted share after tax) of expenses (primarily stock-based compensation) related to the conversion of employee stock options to restricted stock in connection with the spin-off and for the accelerated vesting of restricted stock held by Fiesta's former Chairman of the Board.

Impairment and other lease charges were \$6.9 million (\$0.22 per diluted share after tax) in the first quarter of 2012 and were related to the closure of five Pollo Tropical restaurants in New Jersey and for the impairment of two Taco Cabana restaurants.

Income from operations was \$1.3 million in the first quarter of 2012 compared to \$7.9 million in the first quarter of 2011.

Interest expense increased to \$6.3 million during the first quarter of 2012 from \$4.6 million in the year-ago period due to a higher debt balance and higher borrowing rates.

Net loss for the first quarter of 2012 was \$3.5 million, or \$0.16 per diluted share, compared to net income of \$2.2 million, or \$0.10 per diluted share, in the first quarter of 2011. Earnings in the first quarter of 2012 included the aforementioned charges totaling \$9.8 million, or \$0.32 per diluted share after tax. Earnings in the first quarter of 2011 included impairment and other lease charges of \$1.1 million, or \$0.03 per diluted share after tax, and spin-off related expenses of \$0.3 million, or \$0.01 per diluted share after tax.

Full Year 2012 Guidance

The following annual outlook is being provided for Carrols and Fiesta, respectively.

Carrols (Burger King Restaurants)

- Comparable restaurant sales are expected to increase 3% to 5%;
- Commodity costs are expected to increase 3% to 4%;
- Two restaurants are expected to close in 2012;
- Annualized run rate for general and administrative expenses (excluding stock compensation) is expected to be approximately \$20 to \$22 million following the spin-off of Fiesta;
- The Company currently expects to record an income tax benefit for all of 2012 ranging from \$0.7 million to \$1.3 million due in part to the deductibility of stock compensation costs related to the conversion of outstanding stock options in the first quarter of 2012; and
- Capital expenditures of approximately \$30 million to \$35 million including \$19 million to \$24 million for remodeling more than 50 restaurants.

As previously announced, on March 26, 2012, Carrols entered into an asset purchase agreement for the purchase (through its operating subsidiary Carrols LLC) of 278 BKC company-owned restaurants in the Ohio, Indiana, Kentucky, Pennsylvania, North Carolina, South Carolina, and Virginia markets. Total cash consideration is approximately \$15.8 million including \$3.8 million to be paid over five years. Non-cash consideration to BKC includes a 28.9% equity ownership in Carrols Restaurant Group (subject to certain limitations).

The acquisition of BKC's restaurants is conditioned upon, among other things, completion of a financing, which along with anticipated operating cash flows, will be used to: (i) fund the remodeling of approximately 450 Burger King restaurants over the next three and half years, (ii) fund the cash paid to BKC in connection with the transaction, and (iii) refinance outstanding borrowings under Carrols LLC's existing senior secured credit facility. The Company currently anticipates the sale of \$140 million to \$150 million of senior secured second lien notes in a private offering and entering into a new senior secured revolving credit facility. The Company currently anticipates completion of the financing and the closing of the acquisition to occur in May 2012 although there can be no assurance that the financing or the acquisition will be completed within such timeframe or at all.

The financial impact on Carrols of the potential acquisition, including expected operating improvements of the acquired restaurants and other synergies that may be realized over time, is not included in the outlook detailed above. Capital expenditures have been adjusted to reflect the Company's accelerated remodeling of its restaurants in anticipation of the acquisition.

Fiesta (Pollo Tropical and Taco Cabana Brands)

- Comparable restaurant sales are expected to increase approximately 6% to 7% for Pollo Tropical and 4% to 5% for Taco Cabana;
- Commodity costs are expected to increase 1% to 2% for Pollo Tropical and 2.5% to 3.5% for Taco Cabana;
- Approximately 10 to 12 new restaurants are expected to be opened and 6 restaurants are expected to close for the entire year;
- Annualized run rate for general and administrative expenses (excluding stock compensation) is expected to be approximately \$38 to \$40 million following the spin-off from Carrols;
- Effective tax rate of 41% to 43%; and
- Capital expenditures of approximately \$42 million to \$46 million.

Conference Call Today

The Company will host a conference call to discuss the first quarter of 2012 financial results today at 4:30 PM Eastern Time. Hosting the conference call will be Daniel T. Accordino, Chief Executive Officer of Carrols Restaurant Group, Inc., Paul Flanders, Chief Financial Officer of Carrols Restaurant Group, Inc. and Interim Chief Financial Officer of Fiesta Restaurant Group, Inc., and Tim Taft, Chief Executive Officer of Fiesta Restaurant Group, Inc.

The conference call can be accessed live over the phone by dialing 877-941-4775 or for international callers by dialing 480-629-9761. A replay will be available one hour after the call and can be accessed by dialing 800-406-7325 or for international callers by dialing 303-590-3030; the passcode is 4536686. The replay will be available until Tuesday, May 15, 2012. The call will also be webcast live from www.carrols.com under the investor relations section.

About Carrols Restaurant Group, Inc.

Carrols Restaurant Group, Inc. is Burger King Corporation's largest franchisee with 297 Burger King® restaurants as of April 1, 2012 and has operated Burger King® restaurants since 1976. Carrols common stock is traded on The NASDAQ Global Market under the symbol TAST.

About Fiesta Restaurant Group, Inc.

Fiesta Restaurant Group, Inc. owns and operates the Pollo Tropical® and Taco Cabana® restaurant businesses with 243 company-owned and operated restaurants as of April 1, 2012 and 38 franchised restaurants in the U.S., Puerto Rico, the Bahamas, Costa Rica, Ecuador, Honduras, Trinidad, and Venezuela. Fiesta common stock is traded on The NASDAQ Global Select Market under the symbol FRGI.

Forward-Looking Statements

Except for the historical information contained in this news release, the matters addressed are forward-looking statements. Forward-looking statements, written, oral or otherwise made, represent the Company's expectation or belief concerning future events. Without limiting the foregoing, these statements are often identified by the words "may," "might," "believes," "thinks," "anticipates," "plans," "expects," "intends" or similar expressions. In addition, expressions of our strategies, intentions or plans, (including, without limitation, the Company's anticipated acquisition of 278 restaurants from Burger King Corporation and the anticipated financing) are also forward-looking statements. Such statements reflect management's current views with respect to future events and are subject to risks and uncertainties, both known and unknown. You are cautioned not to place undue reliance on these forward-looking statements as there are important factors that could cause actual results to differ materially from those in forward-looking statements, many of which are beyond our control. Investors are referred to the full discussion of risks and uncertainties as included in the Company's and Fiesta's filings with the Securities and Exchange Commission.

	(unaudited)	
	Three Months Ended	
	March 31, (a)	
	<u>2012</u>	<u>2011</u>
Revenues:		
Restaurant sales	\$211,016	\$196,873
Franchise royalty revenues and fees	576	365
Total revenues	<u>211,592</u>	<u>197,238</u>
Costs and expenses:		
Cost of sales	66,906	60,315
Restaurant wages and related expenses (b)	61,696	58,568
Restaurant rent expense	11,933	12,054
Other restaurant operating expenses	29,472	27,924
Advertising expense	6,991	7,503
General and administrative expenses (b) (c)	17,370	13,856
Depreciation and amortization	9,014	8,108
Impairment and other lease charges	6,926	1,080
Other income	-	(106)
Total costs and expenses	<u>210,308</u>	<u>189,302</u>
Income from operations	1,284	7,936
Interest expense	6,297	4,613
Income (loss) before income taxes	(5,013)	3,323
Provision (benefit) for income taxes	(1,486)	1,077
Net income (loss)	<u>\$ (3,527)</u>	<u>\$ 2,246</u>
Basic net income (loss) per share	<u>\$ (0.16)</u>	<u>\$ 0.10</u>
Diluted net income (loss) per share	<u>\$ (0.16)</u>	<u>\$ 0.10</u>
Basic weighted average common shares outstanding	21,856	21,643
Diluted weighted average common shares outstanding	21,856	22,068

- (a) The Company uses a 52 or 53 week fiscal year that ends on the Sunday closest to December 31. For convenience, all references to the three months ended April 1, 2012 and April 3, 2011 are referred to as the three months ended March 31, 2012 and March 31, 2011, respectively, both of which included 13 weeks.
- (b) Restaurant wages and related expenses include stock-based compensation expense of \$7 and \$10 for the three months ended March 31, 2012 and 2011, respectively. General and administrative expenses include stock-based compensation expense of \$1,301 and \$665 for the three months ended March 31, 2012 and 2011, respectively.
- (c) General and administrative expenses for the three months ended March 31, 2012 included \$1,520 of expenses related to the spin-off of Fiesta Restaurant Group, Inc. and expenses incurred in connection with the pending acquisition of Burger King restaurants from Burger King Corporation. Also included were \$1,407 of expenses related to the conversion of employee stock options to unrestricted and restricted common stock in connection with the spin-off and for the accelerated vesting of restricted common stock for the former Chairman of the Board of Fiesta.

Carrols Restaurant Group, Inc.
Supplemental Information

The following table sets forth certain unaudited supplemental financial and other data for the periods indicated (in thousands, except number of restaurants):

(unaudited)
Three Months Ended
March 31,

	<u>2012</u>	<u>2011</u>
Segment Revenues:		
Burger King	\$ 85,450	\$ 81,622
Pollo Tropical	57,834	52,235
Taco Cabana	68,308	63,381
Total revenues	<u>\$ 211,592</u>	<u>\$ 197,238</u>
Change in Comparable Restaurant Sales: (a)		
Burger King	5.9%	-5.0%
Pollo Tropical	9.4%	13.5%
Taco Cabana	6.1%	2.0%
Adjusted Segment EBITDA: (b)		
Burger King	\$ 3,403	\$ 3,765
Pollo Tropical	10,269	8,924
Taco Cabana	4,860	5,004
Average Sales per Restaurant: (c)		
Burger King	288	270
Pollo Tropical	632	577
Taco Cabana	434	408
Number of Company Owned Restaurants:		
Burger King	297	304
Pollo Tropical	86	90
Taco Cabana	157	156
Total company owned restaurants	<u>540</u>	<u>550</u>
Restaurant openings:		
Burger King	-	1
Pollo Tropical	-	-
Taco Cabana	-	1
Total new restaurant openings	<u>-</u>	<u>2</u>
Restaurant closings:		
Burger King	(1)	(2)
Pollo Tropical	(5)	(1)
Taco Cabana	(1)	-
Net change in restaurants	<u>(7)</u>	<u>(1)</u>
	<u>At 4/1/12</u>	<u>At 1/1/12</u>
Long-term Debt (d)	274,047	278,583
Cash	5,271	24,661

(a) Restaurants are included in comparable restaurant sales after they have been open for 12 months for Burger King restaurants and 18 months for Pollo Tropical and Taco Cabana restaurants.

(b) Adjusted Segment EBITDA is defined as earnings attributable to the applicable segment before interest, income taxes, depreciation and amortization, impairment and other lease charges, stock-based compensation expense, other income and expense and gains or losses on extinguishment of debt. Adjusted Segment EBITDA is used because it is the measure of segment profit or loss reported to our chief operating decision maker for purposes of allocating resources to the segments and assessing each segment's performance. This may not be necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation.

Adjusted Segment EBITDA includes general and administrative expenses related directly to each segment as well as allocated expenses associated with administrative support including executive management, information systems and certain accounting, legal and other administrative functions. Prior to the first quarter of 2012, Adjusted Segment EBITDA for our Burger King restaurants included general and administrative expenses related directly to the Burger King segment as well as certain corporate expenses associated with administrative support provided to all three of the Company's segments. Previously reported Adjusted Segment EBITDA amounts were recast in the first quarter of 2012 to reflect the allocation of such corporate expenses to the Company's three segments.

(c) Average sales for company-owned or operated restaurants are derived by dividing restaurant sales for such period for the

applicable segment by the average number of restaurants for the applicable segment for such period.

- (d) Long-term debt (including current portion) at April 1, 2012 included \$200,000 of Fiesta Restaurant Group's 8.875% Senior Secured Second Lien Notes, \$61,750 of outstanding term loan borrowings under Carrols LLC's senior credit facility, \$900 of outstanding revolving credit borrowings under Carrols LLC's senior credit facility, \$10,266 of lease financing obligations and \$1,131 of capital lease obligations. Long-term debt (including current portion) at January 1, 2012 included \$200,000 of Fiesta Restaurant Group's 8.875% Senior Secured Second Lien Notes, \$63,375 of outstanding term loan borrowings under Carrols LLC's senior credit facility, \$4,000 of outstanding revolving credit borrowings under Carrols LLC's senior credit facility, \$10,064 of lease financing obligations and \$1,144 of capital lease obligations.

Carrols Restaurant Group, Inc.
Supplemental Information

The following table sets forth certain unaudited supplemental financial data for the periods indicated (in thousands) with respect to the Company's adjusted segment EBITDA.

	Quarter Ended				
	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012
Adjusted Segment EBITDA, Burger King segment as historically reported (a)	\$ 1,141	\$ 5,111	\$ 6,150	\$ 2,002	\$ 369
Allocation of general and administrative expense to Pollo Tropical and Taco Cabana (b)	2,624	2,424	2,418	3,581	3,034
Adjusted Segment EBITDA, Burger King segment as recast	3,765	7,535	8,568	5,583	3,403
Adjustment to exclude allocated spin-off and acquisition expenses (c)	123	77	94	431	890
Burger King Adjusted Segment EBITDA excluding spin-off and acquisition expenses	<u>\$ 3,888</u>	<u>\$ 7,612</u>	<u>\$ 8,662</u>	<u>\$ 6,014</u>	<u>\$ 4,293</u>
Adjusted Segment EBITDA, as historically reported:					
(a)					
Pollo Tropical	\$ 10,059	\$ 9,581	\$ 8,582	\$ 8,561	\$ 11,615
Taco Cabana	6,493	7,003	7,353	6,635	6,548
	<u>16,552</u>	<u>16,584</u>	<u>15,935</u>	<u>15,196</u>	<u>18,163</u>
Allocation of general and administrative expenses (b)	<u>(2,624)</u>	<u>(2,424)</u>	<u>(2,418)</u>	<u>(3,581)</u>	<u>(3,034)</u>
Adjusted Segment EBITDA, Pollo Tropical and Taco Cabana segments as recast	13,928	14,160	13,517	11,615	15,129
Adjustment to exclude allocated spin-off expenses (c)	174	108	130	567	630
Pollo Tropical and Taco Cabana Adjusted Segment EBITDA excluding spin-off expenses	<u>\$ 14,102</u>	<u>\$ 14,268</u>	<u>\$ 13,647</u>	<u>\$ 12,182</u>	<u>\$ 15,759</u>

- (a) Adjusted Segment EBITDA is defined as earnings attributable to the applicable segment before interest, income taxes, depreciation and amortization, impairment and other lease charges, stock-based compensation expense, other income and expense and gains or losses on extinguishment of debt. Prior to the first quarter of 2012, Adjusted Segment EBITDA for our Burger King restaurants included general and administrative expenses related directly to the Burger King segment as well as certain corporate expenses associated with administrative support provided to all three of the Company's segments. Previously reported Adjusted Segment EBITDA amounts were recast in the first quarter of 2012 to reflect the allocation of such corporate expenses to the Company's three segments.
- (b) Represents general and administrative expense allocable to the Pollo Tropical and Taco Cabana segments previously included in the Burger King segment (excluding stock compensation expense).
- (c) Represents expenses incurred in connection with the spin-off of Fiesta Restaurant Group, Inc. and, for the Burger King segment, expenses incurred in connection with the proposed acquisition of 278 Burger King restaurants included in general and administrative expenses allocable to the segments.

Carrols Restaurant Group, Inc.
Investor Relations:
800-348-1074, ext. 3333

Source: Carrols Restaurant Group, Inc.

News Provided by Acquire Media