Carrols Restaurant Group, Inc. (TAST)

Second Quarter Earnings Call

August 2021

Safe Harbor Statement

Under the Private Securities Litigation Reform Act of 1995

- Our presentation includes, and our response to various questions may include, forward-looking statements. Statements that are predictive in nature or that depend upon or refer to future events or conditions are forward-looking statements. These statements are often identified by the words “may”, “might", “will”, “should”, “anticipate”, “believe”, “expect”, “intend”, “estimate”, “hope”, “plan” or similar expressions. In addition, expressions of our strategies, intentions or plans are also forward looking statements. These 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, which speak only as of their date. 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 cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected or implied in the forward-looking statements. We have identified significant factors that could cause actual results to differ materially from those stated or implied in the forward-looking statements. Investors are referred to the full discussion of risks and uncertainties, including the impact of COVID-19 on our business, as included in Carrols Restaurant Group, Inc.’s filings with the Securities and Exchange Commission (SEC) including, without limitation, its Annual Report on Form 10-K.

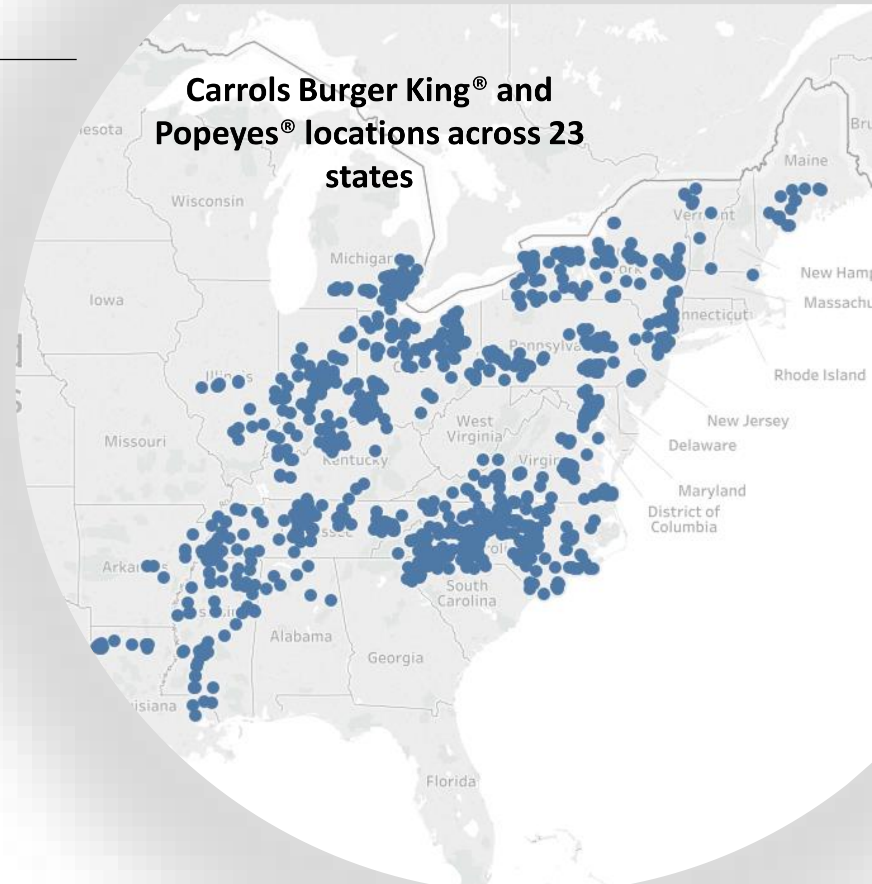
Non-GAAP Financial Measures

- EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA, Adjusted Net Loss, Adjusted EBITDA Margin, and Adjusted Restaurant-Level EBITDA Margin are non-GAAP financial measures. We are presenting these financial measures because we believe that they provide a more meaningful comparison of our core business operating results, as well as with those of other similar companies. Additionally, we present Adjusted Restaurant-Level EBITDA because it excludes restaurant integration costs, restaurant pre-opening costs, other income and expense, and the impact of general and administrative expenses such as salaries and expenses associated with corporate and administrative functions that support the development and operations of our restaurants, legal, auditing and other professional fees. Management believes that Adjusted EBITDA and Adjusted Restaurant-Level EBITDA, when viewed with our results of operations in accordance with GAAP and the accompanying reconciliations within the appendix and our filings with the SEC, provide useful information about operating performance and period-over-period growth, and provide additional information that is useful for evaluating the operating performance of our core business without regard to potential distortions. Additionally, management believes that Adjusted EBITDA and Adjusted Restaurant-Level EBITDA permit investors to gain an understanding of the factors and trends affecting our ongoing cash earnings, from which capital investments are made and debt is serviced. However, EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted Net Loss are not measures of financial performance or liquidity under GAAP and, accordingly, should not be considered as alternatives to net income, income from operations or cash flow from operating activities as indicators of operating performance or liquidity. Also, these measures may not be comparable to similarly titled captions of other companies. For the reconciliation between Net Loss to EBITDA, Adjusted EBITDA and Adjusted Net Loss and the reconciliation of income from operations to Adjusted Restaurant-Level EBITDA, see the appendix and our filings with the SEC.
- Free Cash Flow is a non-GAAP financial measure and may not necessarily be comparable to other similarly titled captions of other companies due to differences in methods of calculation. We believe that Free Cash Flow, when viewed with the Company's results of operations in accordance with GAAP and the accompanying reconciliation set forth in the Appendix, provide useful information about the Company's cash flow for liquidity purposes and to service the Company's debt. However, Free Cash Flow is not a measure of liquidity under GAAP and, accordingly, should not be considered as an alternative to the Company's consolidated statements of cash flows and net cash provided by operating activities, net cash used for investing activities and net cash provided by financing activities as indicators of liquidity or cash flow.
- We direct you to the Appendix to this presentation and to our filings with the SEC for a reconciliation of these non-GAAP financial measures to the appropriate GAAP financial measures.

About the Company

- Carrols is one of the largest restaurant franchisees in the United States, operating 1,092 restaurants across the Burger King® and Popeyes® brands
- With 1,027 Burger King® restaurants, Carrols is the largest Burger King® franchisee in the country, operating 14% of all U.S. Burger Kings®
- Carrols has a history of outperforming same store sales in the U.S. Burger King® restaurant base, including in 20 of the last 22 quarters
- Carrols recently added 65 Popeyes® restaurants to its portfolio, one of the fastest growing QSR operators in the U.S.
- Carrols' two largest shareholders are invested in our long-term success:
  - RBI, 15.4% fully diluted – franchisor partner
  - Cambridge Franchise Holdings, 24% fully diluted – affiliate of Garnett Station Partners, engaged board members, strong record of generating returns

Carrols Burger King® and Popeyes® locations across 23 states



Please note store count is as of July 04, 2021.

Carrols Restaurant Group Q2 2021 Highlights

15.2% Revenue Increase

- Total Restaurant Sales increased 15.2% to $424.5M compared to $368.4M in Q2 2020
- Burger King Q2 SSS ↑ 12.6% and Popeyes Q2 SSS ↓5.3%

$29.3M of Adjusted EBITDA

- Adjusted EBITDA[a] was $29.3M, reflecting a margin decrease of 340bps compared to the same period a year ago. This margin decrease was driven by labor and commodity cost pressures this year, as well as labor efficiencies reflected in the prior year quarter
- Adjusted EBITDA[a] exceeded Q2 2019 by $5.2M

Upsized Revolver

- The Sixth Amendment (dated April 6, 2021) upsized the Revolver by $29.2M to $175.0M and extended maturity to 2026.
- Ended Q2 2021 with $176.2M of liquidity[b]

$300M Senior Notes

- Completed $300.0M offering of 5.875% Senior Unsecured Notes due 2029
- Entered into a Seventh Amendment to our Credit Agreement on June 28, 2021 which now permits $180.0M of incremental senior secured borrowing and increased the restricted payment basket

Return Capital to Shareholders

- Declared a special cash dividend of $0.41 per share, payable in October 2021
- Extended Stock repurchase plan to August 2023

(a) Please see Appendix for Reconciliation of EBITDA and Adjusted EBITDA

(b) Liquidity equals borrowing availability under our Revolving Credit Facility plus cash and cash equivalents.

Q2 2021 Financial Summary

Q2 2021		
Total Restaurant Sales:	$424.5 million	Up 15.2% compared to $368.4 million in Q2 2020
Adjusted Restaurant-Level EBITDA (a):	$47.9 million	Compared to $54.1 million in Q2 2020 and $41.1 million in Q2 2019
Adjusted EBITDA (a):	$29.3 million	Compared to $38.0 million in Q2 2020 and $24.1 million in Q2 2019
Income from Operations:	$5.9 million	Compared to $14.3 million in Q2 2020
Net Income (Loss):	$(9.6) million	Compared to $7.8 million in Q2 2020
Net Income (Loss) Per Share:	$(0.19) per diluted share	$0.13 per diluted share in Q2 2020
Adjusted Net Income (a):	$16 thousand	Compared to $9.6 million in Q2 2020
Adjusted Diluted Net Income Per Share (a):	$0.00 per diluted share	$0.16 per diluted share in Q2 2020

(a) Please see Appendix for Reconciliation of Adjusted Restaurant-Level EBITDA, Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted Net Income Per Share.

Q2 2021 Adjusted EBITDA

($ in millions)	Three Months Ended		
(unaudited)	**Jul 04, 2021**	**Jun 28, 2020**	**Jun 30, 2019**
Restaurant Revenue	$ 424.5	$ 368.4	$ 365.7
Other Revenue	-	-	2.9
Total Revenue	**424.5**	**368.4**	**368.6**
Food, Beverage and Packaging Costs	126.4	104.7	109.2
Food, Beverage and Packaging Costs %	*29.8%*	*28.4%*	*29.6%*
Restaurant Labor	137.6	111.9	121.1
Restaurant Labor %	*32.4%*	*30.4%*	*32.9%*
Advertising & Royalties	35.6	30.3	30.2
Other Operating Expenses	46.4	38.4	40.3
Rent	30.6	29.0	26.7
Adjusted Restaurant-Level EBITDA (a)	**47.9**	**54.1**	**41.1**
Adjusted Restaurant-Level EBITDA margin	*11.3%*	*14.7%*	*11.2%*
G&A Expense (excl stock comp)	19.1	17.5	19.3
Less: Acquisition costs, abandoned development costs, pre-opening costs, litigation and other professional expenses	(0.5)	(1.4)	(2.3)
Adjusted G&A Expense	18.6	16.1	17.1
Adjusted EBITDA (a)	**$ 29.3**	**$ 38.0**	**$ 24.1**
Adjusted EBITDA margin	*6.9%*	*10.3%*	*6.5%*

(a) Please see Appendix for Reconciliations of Adjusted Restaurant-Level EBITDA and Adjusted EBITDA.

Capitalization Overview

($ in millions) As of:	Jul 04, 2021	Apr 04, 2021	Jan 03, 2021	Jun 28, 2020
Cash & Cash Equivalents	**$ 56.2**	**$ 59.9**	**$ 65.0**	**$ 46.0**
Revolver (a) (d)	$ 46.0	$ -	$ -	$ -
Term B Loans due 2026 (b) (d)	174.0	418.3	419.4	420.8
Term B-1 Loans due 2026 (c) (d)	-	73.7	73.9	75.0
Senior Notes Due 2029 (e)	300.0			
Finance Lease Liabilities	1.5	1.3	0.9	1.4
Total Debt	$ 521.5	$ 493.3	$ 494.2	$ 497.1
Total Funded Net Debt (per Credit Agreement)	***$ 465.3***	***$ 433.4***	***$ 429.2***	***$ 451.2***
TTM Covenant EBITDA (per Credit Agreement)	***121.9***	***127.5***	***112.4***	***107.8***
Total Net Leverage Ratio	***3.82x***	***3.40x***	***3.82x***	***4.18x***
Senior Secured Net Leverage Ratio	1.36x	3.40x	3.82x	4.18x
Total Liquidity Available (f)	$ 176.2	$ 196.7	$ 201.1	$ 182.2

(a) The current Revolver capacity is $175.0M after the Sixth Amendment dated April 6, 2021. The Revolver now has an interest rate of LIBOR plus 3.25% and a maturity date of January 29, 2026.

(b) Term B loans has an interest rate of LIBOR plus 3.25% and a maturity date of April 30, 2026.

(c) Term B-1 loans, which had an interest rate of 7.25%, were repaid in full on June 28, 2021 in connection with the issuance of the Senior Notes.

(d) Senior secured floating rate debt of $220.0M is hedged at 91.5bps in lieu of prevailing LIBOR rates.

(e) On June 28, 2021, the Company issued $300.0M principal amount of 5.875% Senior Unsecured Notes due 2029 in a private placement and used the proceeds and $46.0M of revolving credit borrowings to repay $74.4M of outstanding term B-1 loans and $243.6M of outstanding term B loans, pay fees and expenses related to the offering and for working capital and general corporate purposes, including for possible future repurchases of the Company's common stock and/or dividend payment and/or, payments on its common stock.

(f) Liquidity equals borrowing availability under our Revolving Credit Facility plus cash and cash equivalents. As of April 4, 2021, there were $9.0M of letters of credit issued under the Revolving Credit Facility.

Appendix

Consolidated Statements of Operations

Q2-2021 and Q2-2020

(in thousands, except per share amounts)	Three Months Ended (a)	
(unaudited)	**Jul 04, 2021**	**Jun 28, 2020**
Restaurant Sales	$ 424,541	$ 368,418
Costs and Expenses:		
Food, beverage and packaging costs	126,424	104,703
Restaurant wages and related expenses	137,592	111,888
Restaurant rent expense	30,591	28,984
Other restaurant operating expenses	65,128	54,310
Advertising expense	16,939	14,416
General and administrative expenses (b) (c)	20,698	18,581
Depreciation and amortization	20,421	20,296
Impairment and other lease charges	144	2,941
Other expense (income), net (d)	715	(2,003)
Total Costs and Expenses	**418,652**	**354,116**
Income from operations	5,889	14,302
Interest expense	6,942	6,370
Loss on extinguishment of debt	8,538	-
Income (loss) before income taxes	(9,591)	7,932
Provision (benefit) from income taxes	(32)	90
Net income (loss)	$ (9,559)	$ 7,842
Basic and diluted net income (loss) per share (e) (f)	$ (0.19)	$ 0.13
Basic weighted average common shares outstanding	49,917	50,917
Diluted weighted average common shares outstanding	49,917	60,332

(a) The Company uses a 52 or 53 week fiscal year that ends on the Sunday closest to December 31. The three months ended July 4, 2021 and June 28, 2020 each included thirteen weeks.

(b) General and administrative expenses include acquisition costs of $0.3 million for each of the three months ended July 4, 2021 and June 28, 2020, respectively.

(c) General and administrative expenses include stock-based compensation expense of $1.6 million and $1.1 million for the three months ended July 4, 2021 and June 28, 2020, respectively.

(d) Other expense (income), net, for the three months ended July 4, 2021 included a loss on disposal of assets of $0.7 million. Other expense (income), net, for the three months ended June 28, 2020 included a gain of $1.3 million from insurance recoveries related to property damage at four of the Company's restaurants, a gain on three sale-leaseback transactions of $0.8 million and a loss on disposal of assets of $0.1 million.

(e) Basic net income (loss) per share was computed without attributing any loss to preferred stock and non-vested restricted shares as losses are not allocated to participating securities under the two-class method.

(f) Diluted net income (loss) per share was computed including shares issuable for convertible preferred stock and non-vested restricted shares unless their effect would have been anti-dilutive for the periods presented.

Consolidated Statements of Operations

Q2-2019

($ in thousands, except per share amounts) (unaudited)		Three Months Ended (a) June 30, 2019
Revenue:		
Restaurant Sales	$	365,674
Other Revenue		2,885
Total Revenue		**368,559**
Costs and Expenses:		
Food, beverage and packaging costs		109,157
Restaurant wages and related expenses		121,140
Restaurant rent expense		26,690
Other restaurant operating expenses		56,308
Advertising expense		14,677
General and administrative expenses (b) (c)		20,620
Depreciation and amortization		17,121
Impairment and other lease charges		367
Other expense, net		376
Total Costs and Expenses		**366,456**
Income from operations		2,103
Interest expense		6,900
Loss on extinguishment of debt		7,443
Loss before income taxes		(12,240)
Benefit for income taxes		(8,508)
Net Loss	$	(3,732)
Basic and diluted net loss per share (d)	$	(0.09)
Basic weighted average common shares outstanding		41,051
Diluted weighted average common shares outstanding		41,051

(a) The Company uses a 52 or 53 week fiscal year that ends on the Sunday closest to December 31. The three months ended June 30, 2019 includes thirteen weeks.

(b) General and administrative expenses include acquisition and integration costs $2.2 million for the three months ended June 30, 2019.

(c) General and administrative expenses include stock-based compensation expense of $1.3 million for the three months ended June 30, 2019.

(d) Basic and diluted net loss per share was computed excluding loss attributable to preferred stock and non-vested restricted shares unless the effect would have been anti-dilutive for the periods presented.

Reconciliation of EBITDA and Adjusted EBITDA (b)

Q2-2021 and Q2-2020

(in thousands, except per share amounts)	Three Months Ended (a)	
(unaudited)	**Jul 04, 2021**	**Jun 28, 2020**
Net income (loss)	$ (9,559)	$ 7,842
Provision (benefit) for income taxes	(32)	90
Interest expense	6,942	6,370
Depreciation and amortization	20,421	20,296
EBITDA	**17,772**	**34,598**
Impairment and other lease charges	144	2,941
Acquisition costs (c)	292	274
Stock-based compensation expense	1,614	1,109
Abandoned development costs (d)	-	869
Pre-opening costs (e)	-	10
Litigation and other professional expenses (f)	232	219
Loss on extinguishment of debt	8,538	-
Other expense (income), net (g)(h)	715	(2,003)
Adjusted EBITDA	**$ 29,307**	**$ 38,017**

Please see slide 17 for footnotes

Reconciliation of EBITDA and Adjusted EBITDA (b)

Q2-2019

(in thousands, except per share amounts)	**Three Months Ended (a)**
(unaudited)	**Jun 30, 2019**
Net loss	$ (3,732)
Benefit for income taxes	(8,508)
Interest expense	6,900
Depreciation and amortization	17,121
EBITDA	**11,781**
Impairment and other lease charges	367
Acquisition and integration costs (c)	2,573
Abandoned development costs (d)	54
Pre-opening costs (e)	121
Litigation and other professional expenses (f)	136
Other expense, net (g)	376
Stock-based compensation expense	1,282
Loss on extinguishment of debt	7,443
Adjusted EBITDA	**$ 24,133**

Please see slide 18 for footnotes

Reconciliation of Adjusted Restaurant-Level EBITDA (b)

Q2-2021 and Q2-2020

(in thousands, except per share amounts)	**Three Months Ended (a)**	
(unaudited)	**Jul 04, 2021**	**Jun 28, 2020**
Income from operations	**$ 5,889**	**$ 14,302**
Add:		
General and administrative expenses	20,698	18,581
Pre-opening costs (e)	-	10
Depreciation and amortization	20,421	20,296
Impairment and other lease charges	144	2,941
Other expense (income), net (g)(h)	715	(2,003)
Adjusted Restaurant-Level EBITDA	**$ 47,867**	**$ 54,127**

Please see slide 17 for footnotes

Reconciliation of Adjusted Restaurant-Level EBITDA (b)
Q2-2019

(in thousands, except per share amounts)	**Three Months Ended (a)**
(unaudited)	**Jun 30, 2019**
Income from operations	**$ 2,103**
Add:	
General and administrative expenses	20,620
Restaurant integration costs (c)	406
Pre-opening costs (e)	121
Depreciation and amortization	17,121
Impairment and other lease charges	367
Other expense, net	376
Adjusted Restaurant-Level EBITDA	**$ 41,114**

Please see slide 18 for footnotes

Reconciliation of Adjusted Net Income (Loss) (b)

Q2-2021 and Q2-2020

(in thousands, except per share amounts)	Three Months Ended (a)	
(unaudited)	**Jul 04, 2021**	**Jun 28, 2020**
Net income (loss)	**$ (9,559)**	**$ 7,842**
Add:		
Impairment and other lease charges	144	2,941
Acquisition costs (c)	292	274
Abandoned development costs (d)	-	869
Pre-opening costs (e)	-	10
Litigation and other professional expenses (f)	232	219
Other expense (income), net (g) (h)	715	(2,003)
Income tax effect on above adjustments (i)	(346)	(578)
Loss on extinguishment of debt	8,538	-
Adjusted Net Income	**$ 16**	**$ 9,574**
Adjusted diluted net income per share (j)	$ 0.00	$ 0.16
Adjusted diluted weighted average common shares outstanding	59,431	60,332

Please see slide 17 for footnotes

Reconciliation of Adjusted Net Income (Loss) (b)

Q2-2019

(in thousands, except per share amounts)	Three Months Ended (a)
(unaudited)	**Jun 30, 2019**
Net loss	$ (3,732)
Add:	
Impairment and other lease charges	367
Acquisition and integration costs (c)	2,573
Abandoned development costs (d)	54
Pre-opening costs (e)	121
Litigation and other professional expenses (f)	136
Other expense, net (g)	376
Loss on extinguishment of debt	7,443
Income tax effect on above adjustments (h)	(2,768)
Adjusted Net Income	**$ 4,570**
Adjusted diluted net income per share	$ 0.08
Adjusted diluted weighted average common shares outstanding	58,208

Please see slide 18 for footnotes

Footnotes Q2-2021 & Q2-2020

(a) The Company uses a 52 or 53 week fiscal year that ends the Sunday closest to December 31. The three months ended July 4, 2021 and June 28, 2020 both included thirteen weeks.

(b) Within our presentation, we make reference to EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted Net Income (Loss) which are non-GAAP financial measures. EBITDA represents net income (loss) before income taxes, interest expense and depreciation and amortization. Adjusted EBITDA represents EBITDA as adjusted to exclude impairment and other lease charges, acquisition costs, stock-based compensation expense, abandoned development costs, restaurant pre-opening costs, nonrecurring litigation and other professional expenses, loss on extinguishment of debt and other income and expense. Adjusted Restaurant-Level EBITDA represents income (loss) from operations as adjusted to exclude general and administrative expenses, depreciation and amortization, impairment and other lease charges, pre-opening costs, and other income and expense. Adjusted Net Income (Loss) represents net income (loss) as adjusted, net of tax, to exclude impairment and other lease charges, acquisition costs, abandoned development costs, pre-opening costs, non-recurring litigation and other professional expenses, other income and expense and loss on extinguishment of debt.

We are presenting EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted Net Income (Loss) because we believe that they provide a more meaningful comparison of the Company's core business operating results, as well as with those of other similar companies. Additionally, we present Adjusted Restaurant-Level EBITDA because it excludes restaurant pre-opening costs, other income and expense, and the impact of general and administrative expenses such as salaries and expenses associated with corporate and administrative functions that support the development and operations of our restaurants, legal, auditing and other professional fees. Although these costs are not directly related to restaurant-level operations, these expenses are necessary for the profitability of our restaurants. Management believes that EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted Net Income (Loss), when viewed with the Company's results of operations in accordance with GAAP and the accompanying reconciliations in the table above, provide useful information about operating performance and period-over-period growth, and provide additional information that is useful for evaluating the operating performance of the Company's core business without regard to potential distortions. Additionally, management believes that Adjusted EBITDA and Adjusted Restaurant-Level EBITDA permit investors to gain an understanding of the factors and trends affecting our ongoing cash earnings, from which capital investments are made and debt is serviced. However, EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted Net Income (Loss) are not measures of financial performance or liquidity under GAAP and, accordingly, should not be considered as alternatives to net income (loss) from operations or cash flow from operating activities as indicators of operating performance or liquidity. Also, these measures may not be comparable to similarly titled captions of other companies. The tables above provide reconciliations between net income (loss) and EBITDA, Adjusted EBITDA and Adjusted Net Income (Loss) and between income (loss) from operations and Adjusted Restaurant-Level EBITDA.

(c) Acquisition costs for the three months ended July 4, 2021 mostly include integration, travel, legal and professional fees incurred in connection with restaurant acquisitions during the second quarter in 2021, which were included in general and administrative expenses. Acquisition costs for the three months ended June 28, 2020 mostly include legal and professional fees incurred in connection with the acquisition of 165 Burger King and 55 Popeyes restaurants from Cambridge Franchise Holdings, LLC in 2019 which were included in general and administrative expense.

(d) Abandoned development costs for the three months ended June 28, 2020 represents the write-off of capitalized costs due to the abandoned development in 2020 of previously planned new restaurant locations.

(e) Pre-opening costs for the three months ended July 4, 2021 and June 28, 2020 include training, labor and occupancy costs incurred during the construction of new restaurants.

(f) Litigation and other professional expenses for the three months ended July 4, 2021 and June 28, 2020 include costs pertaining to an ongoing lawsuit with one of the Company's former vendors, as well as other non-recurring professional service expenses.

(g) Other expense (income), net, for the three months ended July 4, 2021, included a loss on disposal of assets of $0.7 million.

(h) Other expense (income), net, for the three months ended June 28, 2020, included gains related to insurance recoveries from property damage at four of the Company's restaurants of $1.3 million, a net gain on three sale-leaseback transactions of $0.8 million and a loss on disposal of assets of $0.1 million.

(i) The income tax effect related to the adjustments to Adjusted Net Income (Loss) other than loss on extinguishment of debt was calculated using an incremental income tax rate of 25% for the three months ended July 4, 2021 and June 28, 2020. The loss on extinguishment of debt is not adjusted for tax as its benefit was offset by a valuation allowance charge in the three months ended July 4, 2021.

(j) Adjusted diluted net income (loss) per share is calculated based on Adjusted Net Income (Loss) and the dilutive weighted average common shares outstanding for the respective periods, where applicable.

Footnotes Q2-2019

(a) The Company uses a 52 or 53 week fiscal year that ends the Sunday closest to December 31. The three months ended June 30, 2019 included thirteen weeks.

(b) Within our presentation, we make reference to EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted Net Income (Loss) which are non-GAAP financial measures. EBITDA represents net income (loss) before income taxes, interest expense and depreciation and amortization. Adjusted EBITDA represents EBITDA as adjusted to exclude impairment and other lease charges, acquisition costs, stock-based compensation expense, abandoned development costs, restaurant pre-opening costs, nonrecurring litigation and other professional expenses, loss on extinguishment of debt and other income and expense. Adjusted Restaurant-Level EBITDA represents income (loss) from operations as adjusted to exclude general and administrative expenses, depreciation and amortization, impairment and other lease charges, pre-opening costs, and other income and expense. Adjusted Net Income (Loss) represents net income (loss) as adjusted, net of tax, to exclude impairment and other lease charges, acquisition costs, abandoned development costs, pre-opening costs, non-recurring litigation and other professional expenses, other income and expense and loss on extinguishment of debt.

We are presenting EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted Net Income (Loss) because we believe that they provide a more meaningful comparison of the Company's core business operating results, as well as with those of other similar companies. Additionally, we present Adjusted Restaurant-Level EBITDA because it excludes restaurant pre-opening costs, other income and expense, and the impact of general and administrative expenses such as salaries and expenses associated with corporate and administrative functions that support the development and operations of our restaurants, legal, auditing and other professional fees. Although these costs are not directly related to restaurant-level operations, these expenses are necessary for the profitability of our restaurants. Management believes that EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted Net Income (Loss), when viewed with the Company's results of operations in accordance with GAAP and the accompanying reconciliations in the table above, provide useful information about operating performance and period-over-period growth, and provide additional information that is useful for evaluating the operating performance of the Company's core business without regard to potential distortions. Additionally, management believes that Adjusted EBITDA and Adjusted Restaurant-Level EBITDA permit investors to gain an understanding of the factors and trends affecting our ongoing cash earnings, from which capital investments are made and debt is serviced. However, EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted Net Income (Loss) are not measures of financial performance or liquidity under GAAP and, accordingly, should not be considered as alternatives to net income (loss) from operations or cash flow from operating activities as indicators of operating performance or liquidity. Also, these measures may not be comparable to similarly titled captions of other companies. The tables above provide reconciliations between net income (loss) and EBITDA, Adjusted EBITDA and Adjusted Net Income (Loss) and between income (loss) from operations and Adjusted Restaurant-Level EBITDA.

(c) Acquisition costs for the three months ended June 30, 2019 mostly includes legal and professional fees incurred in connection with the acquisition of 165 Burger King and 55 Popeyes restaurants from Cambridge Franchise Holdings, LLC, which were included in general and administrative expense. Integration costs were $1.2 million in the three months ended June 30, 2019 and included certain professional fees, corporate payroll, and other costs related to the integration of this acquisition, of which $0.4 million of one-time repairs and maintenance costs were restaurant-level expenses and $0.8 million were recorded in general and administrative expense.

(d) Abandoned development costs for the three months ended June 30, 2019 represents the write-off of capitalized costs due to the abandoned development of future restaurant locations.

(e) Pre-opening costs for the three months ended June 30, 2019 include training, labor and occupancy costs incurred during the construction of new restaurants.

(f) Litigation and other professional expenses for the three months ended June 30, 2019 include costs pertaining to an ongoing lawsuit with one of the Company's former vendors, as well as other non-recurring professional service expenses.

(g) Other expense, net for the three months ended June 30, 2019 included a loss on disposal of assets of $0.5 million and a gain on one sale-leaseback transaction of $0.1 million.

(h) The income tax effect related to the adjustments to Adjusted Net Income (Loss) during the periods presented was calculated using an incremental income tax rate of 25% for the three months June 30, 2019.

Reconciliation of Free Cash Flow (b)

(in thousands, except per share amounts)	**Three Months Ended (a)**	
(unaudited)	**Jul 04, 2021**	**Jun 28, 2020**
Net cash provided by (used in) operating activities	**$ 19,579**	**$ 51,682**
Net cash used for investing activities	(46,167)	(3,038)
Add: cash paid for acquisitions	30,819	-
Total Free Cash Flow	**$ 4,231**	**$ 48,644**

(a) The Company uses a 52 or 53 week fiscal year that ends the Sunday closest to December 31. The three months ended July 4, 2021 and June 28, 2020 both included thirteen weeks.

(b) Free Cash Flow is a non-GAAP financial measure and may not necessarily be comparable to other similarly titled captions of other companies due to differences in methods of calculation. Free Cash Flow is defined as cash provided by operating activities less cash used for investing activities, adjusted to add back cash paid for acquisitions. Management believes that Free Cash Flow, when viewed with the Company's results of operations in accordance with GAAP and the accompanying reconciliations in the table above, provides useful information about the Company's cash flow for liquidity purposes and to service the Company's debt. However, Free Cash Flow is not a measure of liquidity under GAAP, and, accordingly should not be considered as an alternative to the Company's consolidated statements of cash flows and net cash provided by operating activities, net cash used for investing activities and net cash provided by financing activities as indicators of liquidity or cash flow. Free Cash Flow for the three months ended July 4, 2021 and June 28, 2020 is derived from the Company's consolidated statements of cash flows for the respective six month periods to be presented in the Company's Interim Condensed Consolidated Financial Statements in its Form 10-Q for the period ended July 4, 2021 and the Company's consolidated statements of cash flows for the previously reported three month periods ended April 4, 2021 and March 29, 2020 contained in the Company's Form 10-Q for the period ended April 4, 2021.