

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **February 8, 2017**

Rave Restaurant Group, Inc.
(Exact name of registrant as specified in its charter)

| | | |
|--|--|--|
| Missouri (State or other jurisdiction of incorporation) | 0-12919 (Commission File Number) | 45-3189287 (IRS Employer Identification No.) |
| 3551 Plano Parkway, The Colony, Texas (Address of principal executive offices) | | 75056 (Zip Code) |

Registrant's telephone number, including area code: **(469) 384-5000**

Rave Restaurant Group, Inc.
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition

On February 8, Rave Restaurant Group, Inc. issued a press release discussing financial results of its second fiscal quarter 2017 ended December 25, 2016, a copy of which is attached as Exhibit 99.1 hereto.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

99.1 Rave Restaurant Group, Inc. press release dated February 8, 2017.

SIGNATURES

Pursuant to 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 hereunto duly authorized.

Rave Restaurant Group, Inc.

Date: February 8, 2017

By: /s/ Scott Crane
Scott Crane
President and Chief Executive Officer



February 8, 2017

RAVE Restaurant Group, Inc. Reports Second Fiscal Quarter Financial Results
RAVE Attains New Leadership

Dallas, Texas – RAVE Restaurant Group, Inc. (NASDAQ:RAVE) today reported financial results for the second quarter of fiscal 2017 ended December 25, 2016.

Second Quarter Highlights:

- Total consolidated revenue decreased 3.4% to \$14.8 million compared to \$15.3 million in the second quarter of fiscal 2016.
- Pie Five comparable store retail sales decreased 17.4% from the same period of the prior year.
- Pie Five system-wide retail sales increased 9.7%, while average weekly sales declined 14.7%, year over year.
- Pizza Inn domestic comparable store retail sales decreased 1.2% from the same period of the prior year, while total domestic retail sales increased by 0.4%.
- Net loss of \$7.9 million was \$3.1 million greater than the same quarter of the prior year primarily due to increased impairments and other lease charges, and losses from the sale of assets.
- On a fully diluted basis, the loss was \$0.74 per share for the second quarter of fiscal 2017, compared to a loss of \$0.45 per share for the same period of the prior year.
- Adjusted EBITDA of (\$1.2) million was \$1.2 million less than the same quarter of the prior year.
- Company-owned Pie Five operating cash flow decreased \$0.3 million from the same period of the prior year.
- Net addition of seven Pie Five restaurants during the quarter brought the total Pie Five restaurants open at the end of the quarter to 99.

"We are aggressively exploring bold new strategies that can be deployed to ultimately improve financial performance," said Scott Crane, Chief Executive Officer for Rave Restaurant Group, Inc. "Over the next year we will be addressing underperforming markets while also improving the overall customer experience at all of our restaurants."



Second Quarter Fiscal 2017 Operating Results

Revenues of \$14.8 million and \$30.2 million for the second quarter and year to date fiscal 2017 were 3.4% lower and 1.3% higher, respectively, than the same periods of the prior year. For the three and six months ended December 25, 2016, the Company reported a net loss of \$7.9 million and \$9.4 million, respectively, compared to a loss of \$4.8 million and \$5.4 million for the comparable periods of the prior year. On a fully diluted basis, the loss was \$0.74 per share and \$0.89 per share for the second quarter and year to date fiscal 2017, compared to a loss of \$0.47 per share and \$0.52 per share for the same periods of the prior year. The increased losses for the three and six month periods ended December 27, 2015 were primarily the result of a \$4.8 million non-cash impairment expense in the second quarter of fiscal 2017 related to the carrying value of Company-owned Pie Five restaurants, as well as other lease charges and losses on sale of assets. In addition, the Company continued to provide a full valuation allowance against its deferred tax assets. Adjusted EBITDA declined \$1.2 million and \$1.7 million for the three and six month periods ended December 25, 2016, to \$(1.2) million and \$(1.4) million, respectively. The decline in Adjusted EBITDA was driven by executive search fees and bad debt expenses totaling \$0.5 million, as well as decreased average unit volumes at company Pie Five locations.

Pie Five system-wide retail sales increased 9.7% for the second quarter of fiscal 2017 when compared to the same period in the prior year driven by a 31.1% increase in average units open, while system-wide average weekly sales decreased by 14.7%, year over year. Comparable store retail sales decreased by 17.4% for the most recent fiscal quarter compared to the same period in the prior year. Year to date, Pie Five system-wide retail sales increased 21.6% compared to the prior year driven by a 40.9% increase in average units open, while system-wide average weekly sales declined 13.7% year over year. Comparable store retail sales decreased 16.1% during the first six months of fiscal 2017 compared to the same period of the prior year. The Company continues to believe that increased competition within the fast-casual segment and general industry softness contributed to weakened trends within the Pie Five system.

Pizza Inn total domestic retail sales increased 0.4% and decreased 0.6% for the three and six months ended December 25, 2016 compared to the same periods of the prior year. Pizza Inn domestic comparable store retail sales decreased 1.2% and 0.5% for the three and six months ended December 25, 2016 compared to the same periods of the prior year.



"Restaurant trends around the country continue to be challenging," said Crane. "The Pie Five system continues to add new locations and is addressing sales trends through the testing of new sales channels and menu innovation. Pizza Inn continues to see progress through enhanced franchisee engagement and the addition of initiatives such as the new loyalty program and refreshed branding."

Development Review

In the second quarter of fiscal 2017, eight new franchised Pie Five restaurants were opened, while one franchised restaurant was closed, bringing the fiscal quarter-end total unit count to 99 restaurants.

"We continue to see growth of the Pie Five system in key markets," said Crane. "We are excited to see additional traditional and non-traditional opportunities for further development."

Rights Offering Continues

RAVE has previously announced a rights offering for up to \$3.0 million of its 4% Convertible Senior Notes due 2022. Pursuant to the rights offering, existing RAVE shareholders have the opportunity to purchase their proportionate share of the convertible notes at the par value of \$100 per note. The subscription period is presently scheduled to terminate at 5:00 p.m., Dallas, Texas time, on February 13, 2017, but may be extended by the Company for up to 30 days. The terms of the rights offering and RAVE the convertible notes are described in the final prospectus that has been filed with the Securities and Exchange Commission and is also available at <http://raverg.investorroom.com/SEC-filings>.

Conference Call

A conference call and audio webcast has been scheduled for 5:00 p.m. Central time today to discuss these results. Details of the conference call are as follows:

| | |
|------------|--|
| Date: | Wednesday, February 8, 2018 |
| Time: | 5:00 p.m. Central time |
| Dial-In #: | 1-877-870-4263 U.S. & Canada 1-412-317-0790 International |



Alternatively, the conference call will be webcast at raverg.com. A web-based archive of the conference call will also be available at the above website.

Non-GAAP Financial Measures

The Company uses certain non-GAAP financial measures in evaluating operating performance. These non-GAAP financial measures should not be viewed as an alternative or substitute for its financial statements prepared in accordance with generally accepted accounting principles. Adjusted EBITDA represents earnings before interest, taxes, depreciation and amortization, stock compensation expense, pre-opening expense, gain/loss on sale of assets, costs related to impairment, other lease charges, non-operating store costs and discontinued operations. A reconciliation of Adjusted EBITDA to net income is included with the accompanying financial statements.



Note Regarding Forward Looking Statements

Certain statements in this press release, other than historical information, may be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and are intended to be covered by the safe harbors created thereby. These forward-looking statements are based on current expectations that involve numerous risks, uncertainties and assumptions. Assumptions relating to these forward-looking statements involve judgments with respect to, among other things, future economic, competitive and market conditions, regulatory framework and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of RAVE Restaurant Group, Inc. Although the assumptions underlying these forward-looking statements are believed to be reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that any forward-looking statements will prove to be accurate. In light of the significant uncertainties inherent in these forward-looking statements, the inclusion of such information should not be regarded as a representation that the objectives and plans of RAVE Restaurant Group, Inc. will be achieved.

About RAVE Restaurant Group, Inc.

Founded in 1958, Dallas-based RAVE Restaurant Group [NASDAQ: RAVE] owns, operates and franchises more than 300 Pie Five Pizza Co. and Pizza Inn restaurants domestically and internationally. Pie Five Pizza Co. is a leader in the rapidly growing fast-casual pizza space offering made-to-order pizzas ready in under five minutes. Pizza Inn is an international chain featuring freshly made pizzas, along with salads, pastas, and desserts. The Company's common stock is listed on the Nasdaq Capital Market under the symbol "RAVE". For more information, please visit www.raverg.com.

Contact:

Jami Zimmerman

RAVE Restaurant Group, Inc.

469-384-5000

RAVE RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | December 25, 2016 | December 27, 2015 | December 25, 2016 | December 27, 2015 |
| REVENUES: | \$ 14,792 | \$ 15,311 | \$ 30,248 | \$ 29,847 |
| COSTS AND EXPENSES: | | | | |
| Cost of sales | 13,372 | 13,139 | 27,254 | 25,489 |
| General and administrative expenses | 2,175 | 1,694 | 4,078 | 3,263 |
| Franchise expenses | 984 | 949 | 1,836 | 1,808 |
| Pre-opening expenses | 47 | 304 | 66 | 736 |
| Loss on sale of assets | 656 | - | 699 | - |
| Impairment of long-lived assets and other lease charges | 5,197 | 1,010 | 5,366 | 1,010 |
| Bad debt | 298 | 128 | 351 | 231 |
| Interest expense | 2 | 2 | 2 | 3 |
| Total costs and expenses | <u>22,731</u> | <u>17,226</u> | <u>39,652</u> | <u>32,540</u> |
| LOSS FROM CONTINUING OPERATIONS BEFORE TAXES | (7,939) | (1,915) | (9,404) | (2,693) |
| Income tax expense | <u>5</u> | <u>2,892</u> | <u>19</u> | <u>2,634</u> |
| LOSS FROM CONTINUING OPERATIONS | (7,944) | (4,807) | (9,423) | (5,327) |
| Income (loss) from discontinued operations, net of taxes | <u>19</u> | <u>(23)</u> | <u>2</u> | <u>(60)</u> |
| NET LOSS | <u>\$ (7,925)</u> | <u>\$ (4,830)</u> | <u>\$ (9,421)</u> | <u>\$ (5,387)</u> |
| LOSS PER SHARE OF COMMON STOCK - BASIC: | | | | |
| Loss from continuing operations | \$ (0.75) | \$ (0.47) | \$ (0.89) | \$ (0.52) |
| Income (loss) from discontinued operations | <u>0.01</u> | <u>-</u> | <u>0.01</u> | <u>-</u> |
| Net loss | <u>\$ (0.74)</u> | <u>\$ (0.47)</u> | <u>\$ (0.88)</u> | <u>\$ (0.52)</u> |
| LOSS PER SHARE OF COMMON STOCK - DILUTED: | | | | |
| Loss from continuing operations | \$ (0.74) | \$ (0.45) | \$ (0.88) | \$ (0.50) |
| Income (loss) from discontinued operations | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net loss | <u>\$ (0.74)</u> | <u>\$ (0.45)</u> | <u>\$ (0.88)</u> | <u>\$ (0.50)</u> |
| Weighted average common shares outstanding - basic | <u>10,657</u> | <u>10,314</u> | <u>10,657</u> | <u>10,310</u> |
| Weighted average common and potential dilutive common shares outstanding | <u>10,681</u> | <u>10,770</u> | <u>10,720</u> | <u>10,859</u> |

RAVE RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

| ASSETS | December 25, 2016 (unaudited) | June 26, 2016 |
|--|--|--------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,098 | 1,104 |
| Accounts receivable, less allowance for bad debts accounts of \$551 and \$198, respectively | 2,430 | 2,780 |
| Notes receivable | 120 | 167 |
| Inventories | 199 | 197 |
| Income tax receivable | 194 | 194 |
| Property held for sale | 327 | - |
| Prepaid expenses and other | 264 | 430 |
| Total current assets | <u>4,632</u> | <u>4,872</u> |
| LONG-TERM ASSETS | | |
| Property, plant and equipment, net | 5,839 | 12,979 |
| Long-term notes receivable | 328 | 382 |
| Deposits and other | 230 | 272 |
| Total assets | <u>\$ 11,029</u> | <u>\$ 18,505</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable - trade | \$ 4,495 | 3,815 |
| Short-term debt | 1,000 | - |
| Accrued expenses | 1,104 | 1,220 |
| Deferred rent | 120 | 160 |
| Deferred revenues | 128 | 304 |
| Total current liabilities | <u>6,847</u> | <u>5,499</u> |
| LONG-TERM LIABILITIES | | |
| Deferred rent, net of current portion | 1,497 | 1,710 |
| Deferred revenues, net of current portion | 1,370 | 1,440 |
| Other long-term liabilities | 437 | 453 |
| Total liabilities | <u>10,151</u> | <u>9,102</u> |
| COMMITMENTS AND CONTINGENCIES (See Note 2) | | |
| SHAREHOLDERS' EQUITY | | |
| Common stock, \$.01 par value; authorized 26,000,000 shares; issued 17,775,951 and 17,460,951 shares, respectively; outstanding 10,656,551 and 10,341,551 shares, respectively | 178 | 175 |
| Additional paid-in capital | 26,671 | 25,778 |
| Retained earnings (Accumulated Deficit) | (1,335) | 8,086 |
| Treasury stock at cost | | |
| Shares in treasury: 7,119,400 | (24,636) | (24,636) |
| Total shareholders' equity | <u>878</u> | <u>9,403</u> |
| | <u>\$ 11,029</u> | <u>\$ 18,505</u> |

RAVE RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

| | Six Months Ended | |
|--|------------------------------|------------------------------|
| | December 25, 2016 | December 27, 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (9,421) | \$ (5,387) |
| Adjustments to reconcile net loss to cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,539 | 1,118 |
| Impairment of long-lived assets | 4,773 | 1,010 |
| Stock compensation expense | 90 | 90 |
| Deferred income taxes | - | 2,593 |
| Loss on sale/disposal of assets | 656 | 2 |
| Provision for bad debt | 351 | 231 |
| Changes in operating assets and liabilities: | | |
| Notes and accounts receivable | 100 | 214 |
| Inventories | (2) | (54) |
| Accounts payable - trade | 680 | 1,257 |
| Accrued expenses | (132) | (328) |
| Deferred rent | (253) | 426 |
| Deferred revenue | (246) | 165 |
| Prepaid expenses and other | 182 | 136 |
| Cash (used in) provided by operating activities | (1,683) | 1,473 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of assets | 45 | 14 |
| Capital expenditures | (174) | (6,471) |
| Cash used in investing activities | (129) | (6,457) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from sale of stock | - | 773 |
| Proceeds from stock options | 806 | - |
| Net change in debt | 1,000 | - |
| Cash provided by financing activities | 1,806 | 773 |
| Net decrease in cash and cash equivalents | (6) | (4,211) |
| Cash and cash equivalents, beginning of period | 1,104 | 5,958 |
| Cash and cash equivalents, end of period | <u>\$ 1,098</u> | <u>\$ 1,747</u> |

| | Three Months Ended | |
|---|----------------------|----------------------|
| | December 25, 2016 | December 27, 2015 |
| Net loss | \$ (7,925) | \$ (4,830) |
| Interest expense | 2 | 2 |
| Income Taxes | 5 | 2,892 |
| Income Taxes--Discontinued Operations | - | (12) |
| Depreciation and amortization | 749 | 601 |
| EBITDA | <u>\$ (7,169)</u> | <u>\$ (1,347)</u> |
| Stock compensation expense | 45 | 45 |
| Pre-opening costs | 47 | 304 |
| Loss on sale/disposal of assets | 656 | - |
| Impairment charges, non-operating store costs and discontinued operations | 5,242 | 1,059 |
| Adjusted EBITDA | <u>\$ (1,179)</u> | <u>\$ 61</u> |
