

J. Alexander's Holdings, Inc.
Form 10-Q
November 07, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended October 2, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number: 1-37473

J. Alexander's Holdings, Inc.

(Exact name of registrant as specified in its charter)

Tennessee	47-1608715
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3401 West End Avenue, Suite 260	
Nashville, Tennessee	37203
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (615) 269-1900

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer”, “accelerated filer”, “non-accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 4, 2016, 14,700,176 shares of the registrant’s Common Stock, \$0.001 par value, were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

J. Alexander's Holdings, Inc.

Condensed Consolidated Balance Sheets

(Unaudited in thousands, except share amounts)

	October 2 2016	January 3 2016
Assets		
Current assets:		
Cash and cash equivalents	\$7,514	\$13,424
Accounts and notes receivable	1,828	406
Accounts receivable from related party	-	12
Inventories	2,205	2,198
Prepaid expenses and other current assets	1,814	2,939
Total current assets	13,361	18,979
Other assets	5,866	6,388
Property and equipment, at cost, less accumulated depreciation and amortization of \$32,126 and \$25,686 as of October 2, 2016 and January 3, 2016, respectively	94,625	89,313
Goodwill	15,737	15,737
Tradename and other indefinite-lived assets	25,155	25,155
Deferred charges, less accumulated amortization of \$185 and \$137 as of October 2, 2016 and January 3, 2016, respectively	301	264
Total assets	\$155,045	\$155,836
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$4,974	\$6,347
Accrued expenses and other current liabilities	8,556	11,325
Unearned revenue	2,206	3,214
Current portion of long-term debt	7,056	1,667
Total current liabilities	22,792	22,553
Long-term debt, net of portion classified as current and deferred loan costs	16,652	19,226
Deferred compensation obligations	5,933	5,715
Deferred income taxes	3,883	5,002
Other long-term liabilities	5,298	4,537
Total liabilities	54,558	57,033
Commitments and contingencies	-	-
Stockholders' Equity:		

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Common stock, par value \$0.001 per share: Authorized 30,000,000 shares; issued and outstanding 14,700,176 and 15,000,235 shares as of October 2, 2016 and January 3, 2016, respectively	15	15
Preferred stock, par value \$0.001 per share: Authorized 10,000,000 shares; no shares issued and outstanding as of October 2, 2016 or January 3, 2016	-	-
Additional paid-in-capital	94,252	95,283
Retained earnings	3,490	2,321
Total stockholders' equity attributable to J. Alexander's Holdings, Inc.	97,757	97,619
Non-controlling interests	2,730	1,184
Total stockholders' equity	100,487	98,803
Total liabilities and stockholders' equity	\$155,045	\$155,836

See accompanying Notes to Condensed Consolidated Financial Statements.

J. Alexander's Holdings, Inc.

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

(Unaudited in thousands, except per share amounts)

	Quarter Ended		Nine-Month Period	
	October		October	
	2	September 27	2	September 27
	2016	2015	2016	2015
Net sales	\$51,459	\$ 49,335	\$162,259	\$ 158,610
Costs and expenses:				
Cost of sales	16,252	15,581	51,695	50,177
Restaurant labor and related costs	16,540	15,819	50,087	48,455
Depreciation and amortization of restaurant property and equipment	2,232	2,088	6,636	6,128
Other operating expenses	10,833	10,516	32,909	32,066
Total restaurant operating expenses	45,857	44,004	141,327	136,826
Transaction and integration expenses	-	4,197	62	6,311
General and administrative expenses	4,104	3,378	13,963	11,242
Pre-opening expenses	192	21	607	23
Total operating expenses	50,153	51,600	155,959	154,402
Operating income (loss)	1,306	(2,265)	6,300	4,208
Other income (expense):				
Interest expense	(147)	(193)	(514)	(970)
Other, net	18	21	74	68
Total other expense	(129)	(172)	(440)	(902)
Income (loss) from continuing operations before income taxes	1,177	(2,437)	5,860	3,306
Income tax (expense) benefit	(121)	66	(1,210)	45
Loss from discontinued operations, net	(111)	(106)	(328)	(317)
Net income (loss)	\$945	\$ (2,477)	\$4,322	\$ 3,034
Basic earnings (loss) per share:				
Income (loss) from continuing operations, net of tax	\$0.07	\$ (0.16)	\$0.31	\$ 0.22
Loss from discontinued operations, net	(0.01)	(0.01)	(0.02)	(0.02)
Basic earnings (loss) per share	\$0.06	\$ (0.17)	\$0.29	\$ 0.20
Diluted earnings (loss) per share:				
Income (loss) from continuing operations, net of tax	\$0.07	\$ (0.16)	\$0.31	\$ 0.22
Loss from discontinued operations, net	(0.01)	(0.01)	(0.02)	(0.02)
Diluted earnings (loss) per share	\$0.06	\$ (0.17)	\$0.29	\$ 0.20
Weighted-average common shares outstanding:				
Basic	14,700	15,000	14,862	15,000
Diluted	14,700	15,000	14,869	15,000

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Comprehensive income (loss)	\$945	\$ (2,477) \$4,322	\$ 3,034
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See accompanying Notes to Condensed Consolidated Financial Statements.

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J. Alexander's Holdings, Inc.

Condensed Consolidated Statement of Stockholders' Equity

(Unaudited in thousands, except share amounts)

	Outstanding	Common	Additional	Retained	Non-controlling	
	shares	stock	paid-in	earnings	interests	Total
			capital			
Balances at January 3, 2016	15,000,235	\$ 15	\$ 95,283	\$ 2,321	\$ 1,184	\$98,803
Tax distributions	-	-	(1,319)	-	-	(1,319)
Purchases of common stock	(300,059)	-	-	(3,153)	-	(3,153)
Share-based compensation	-	-	288	-	1,546	1,834
Net income	-	-	-	4,322	-	4,322
Balances at October 2, 2016	14,700,176	\$ 15	\$ 94,252	\$ 3,490	\$ 2,730	\$100,487

See accompanying Notes to Condensed Consolidated Financial Statements.

J. Alexander's Holdings, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited in thousands)

	Nine-Month Period Ended		
	October 2		September 27
	2016		2015
Cash flows from operating activities:			
Net income	\$	4,322	\$ 3,034
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment		6,842	6,356
Equity-based compensation expense		1,834	388
Other, net		(403)	403
Changes in assets and liabilities:			
Accounts and notes receivable		(1,410)	(20)
Prepaid expenses and other current assets		1,125	450
Accounts payable		(1,539)	(469)
Accrued expenses and other current liabilities		(2,769)	(1,385)
Other assets and liabilities, net		207	(506)
Net cash provided by operating activities		8,209	8,251
Cash flows from investing activities:			
Purchase of property and equipment		(12,153)	(7,287)
Other investing activities		(244)	(58)

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Net cash used in investing activities	(12,397)	(7,345)
Cash flows from financing activities:		
Proceeds from borrowing under debt agreement	4,000	10,000
Payments on long-term debt and obligations under capital leases	(1,250)	(11,255)
Purchases of common stock	(3,153)	-
Tax distributions to J. Alexander's Holdings, LLC members	(1,319)	-
Other financing activities	-	(187)
Net cash used in financing activities	(1,722)	(1,442)
Decrease in cash and cash equivalents	(5,910)	(536)
Cash and cash equivalents at beginning of period	13,424	13,301
Cash and cash equivalents at end of period	\$ 7,514	\$ 12,765
Supplemental disclosures:		
Property and equipment obligations accrued at beginning of period	\$ 1,845	\$ 1,444
Property and equipment obligations accrued at end of period	2,011	1,290
Cash paid for interest	503	952
Cash paid for income taxes	4,730	343
See accompanying Notes to Condensed Consolidated Financial Statements.		

J. Alexander's Holdings, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited, dollars in thousands except per share data)

Note 1 – Organization and Business

Acquisition and Ownership by FNF

On September 26, 2012, Fidelity National Financial, Inc. (“FNF”) acquired substantially all of the outstanding common stock of J. Alexander's Corporation, a publicly traded company, in a tender offer, followed by a merger (the “J. Alexander's Acquisition”), after which FNF owned all of the outstanding common stock of J. Alexander's Corporation. The outstanding shares of common stock were delisted and deregistered from the NASDAQ Global Select Market, and J. Alexander's Corporation was subsequently converted from a corporation to a limited liability company, J. Alexander's, LLC (the “Operating Company”), on October 30, 2012. The J. Alexander's Acquisition was treated as an acquisition for accounting purposes, with FNF as the acquirer and J. Alexander's Corporation as the acquiree, and resulted in FNF owning a 100% interest in the Operating Company. Purchase accounting was applied as of October 1, 2012, as the four days between the purchase transaction and the beginning of the fourth quarter were not considered significant. FNF thereafter contributed the ownership of the Operating Company to Fidelity National Special Opportunities, Inc. (“FNSO”), a wholly owned subsidiary of FNF, subsequent to the J. Alexander's Acquisition. FNSO was subsequently converted to Fidelity National Financial Ventures, LLC (“FNFV”). For purposes of these Condensed Consolidated Financial Statements, FNSO, FNFV and FNF are collectively referred to as “FNF”.

On February 6, 2013, J. Alexander's Holdings, LLC was formed as a Delaware limited liability company, and on February 25, 2013, 100% of the membership interests of the Operating Company were contributed by FNF to J. Alexander's Holdings, LLC in exchange for a 72.1% membership interest in J. Alexander's Holdings, LLC. Additionally, on February 25, 2013, 100% of the membership interests of Stoney River Management Company, LLC and subsidiaries (“Stoney River Management”) were contributed by Fidelity Newport Holdings, LLC (“FNH”), a majority-owned subsidiary of FNF, to J. Alexander's Holdings, LLC in exchange for a 27.9% membership interest in J. Alexander's Holdings, LLC (the “Contribution”). J. Alexander's Holdings, LLC then contributed Stoney River Management to the Operating Company. References herein to operations and assets of J. Alexander's Holdings, LLC may also refer to its consolidated subsidiaries.

On May 6, 2014, FNF converted FNSO to FNFV. Other than certain tax consequences, this change in the organization of the entity holding a majority of the membership interests had no effect on the operations of J. Alexander's Holdings, LLC. On August 18, 2014, FNH distributed its 27.9% membership interest in J. Alexander's Holdings, LLC on a pro rata basis to the owners of the FNH membership interests. The distribution resulted in FNFV holding an 87.4% membership interest in J. Alexander's Holdings, LLC. Also after the distribution, Newport Global Opportunities Fund AIV-A LP (“Newport”) held a 10.9% membership interest in J. Alexander's Holdings, LLC, and the remaining 1.7% membership interests were held by other minority investors.

On January 1, 2015, J. Alexander's Holdings, LLC adopted an Amended and Restated LLC Agreement (the “LLC Agreement”) and established a profits interest management incentive plan. The LLC Agreement established two classes of membership units, Class A Units and Class B Units. The existing membership interests held by FNFV, Newport, and other minority investors were converted to Class A Units on a pro rata basis on the effective date of the LLC Agreement, resulting in FNFV holding 13,929,987 Class A Units, Newport holding 1,728,899 Class A Units, and the remaining minority investors holding a total of 271,114 Class A Units. The total Class A Units outstanding was 15,930,000 prior to the separation discussed below.

Additionally, profits interest grant awards were issued to certain members of management pursuant to the incentive plan in the form of Class B Units on the effective date of the LLC Agreement. A total of 1,770,000 Class B Units were authorized under the profits interest plan and, prior to the separation discussed below, a total of 885,000 Class B Units were issued and outstanding.

Separation from FNF

On August 15, 2014, J. Alexander's Holdings, Inc., an affiliate of J. Alexander's Holdings, LLC, was incorporated in the state of Tennessee. On October 28, 2014, J. Alexander's Holdings, Inc. filed a registration statement on Form S-1 with the United States Securities and Exchange Commission (the "SEC") relating to a proposed initial public offering of its common stock and a restructuring pursuant to which J. Alexander's Holdings, Inc. would become the managing member of J. Alexander's Holdings, LLC. On February 18, 2015, FNF announced its intentions to pursue a spin-off (the "Spin-off") of J. Alexander's Holdings, LLC to shareholders of FNFV as an alternative to the previously proposed initial public offering of the J. Alexander's Holdings, Inc. common stock. On June 24, 2015, J. Alexander's Holdings, Inc. filed a request for the withdrawal of the registration statement on Form S-1 and subsequently filed a registration statement on Form 10 with the SEC on the same date in connection with the aforementioned Spin-off.

On September 16, 2015, J. Alexander's Holdings, Inc. entered into a separation and distribution agreement with FNF, pursuant to which FNF agreed to distribute 100% of its shares of J. Alexander's Holdings, Inc. common stock, par value \$0.001, on a pro rata basis, to the holders of FNFV common stock, FNF's tracking stock traded on The New York Stock Exchange ("The NYSE"). Holders of FNFV common stock received, as a distribution from FNF, approximately 0.17271 shares of J. Alexander's Holdings, Inc. common stock for every one share of FNFV common stock held at the close of business on September 22, 2015, the record date for the distribution (the "Distribution"). As a result of the Distribution, J. Alexander's Holdings, Inc. issued a total of 15,000,235 shares of common stock. Concurrent with the Distribution, certain reorganization changes were made resulting in J. Alexander's Holdings, Inc. becoming the sole managing member of J. Alexander's Holdings, LLC. The Distribution was completed on September 28, 2015. Further, as evidenced in the executed Second Amended and Restated LLC Agreement of J. Alexander's Holdings, LLC entered into in connection with the reorganization transactions, the members' equity of J. Alexander's Holdings, LLC was recapitalized such that the total outstanding Class A Units decreased on September 28, 2015 from 15,930,000 to 15,000,235, in order to mirror the number of outstanding shares of common stock of J. Alexander's Holdings, Inc. Additionally, the total Class B Units granted to certain members of management as discussed above was reduced from 885,000 to 833,346.

On September 28, 2015, immediately prior to the Distribution, J. Alexander's Holdings, LLC entered into a Management Consulting Agreement with Black Knight Advisory Services, LLC ("Black Knight"), pursuant to which Black Knight provides corporate and strategic advisory services to J. Alexander's Holdings, LLC. In accordance with the Management Consulting Agreement, J. Alexander's Holdings, LLC granted 1,500,024 Class B Units to Black Knight as a profits interest grant on October 6, 2015.

As a result of the Distribution, J. Alexander's Holdings, Inc. is an independent public company and its common stock is listed under the symbol "JAX" on The NYSE, effective September 29, 2015. As of October 2, 2016, a total of 14,700,176 shares of J. Alexander's Holdings, Inc. common stock, par value \$0.001, were outstanding.

On October 29, 2015, the J. Alexander's Holdings, Inc. Board of Directors authorized a share repurchase program for up to 1,500,000 shares of J. Alexander's Holdings, Inc.'s outstanding common stock over the next three years ending October 29, 2018. Repurchases will be made in accordance with applicable securities laws and may be made from time to time in the open market. The timing, prices and amount of repurchases will depend upon prevailing market prices, general economic and market conditions and other considerations. The repurchase program does not obligate J. Alexander's Holdings, Inc. to acquire any particular amount of stock. As of October 2, 2016, 300,059 shares have been repurchased under this program at an aggregate purchase price of \$3,153.

Business of J. Alexander's

From its inception, J. Alexander's has gone to great lengths to avoid operating as, or being perceived as, a chain concept. The objective from the beginning has been to operate as a collection of restaurants dedicated to providing guests with the highest quality of food, levels of professional service and ambiance in each of the markets being served. In an effort to further this vision, and also to allow selected locations to expand feature menu offerings available to guests on a seasonal or rotational basis, a number of locations previously operated as J. Alexander's restaurants are being converted to restaurants operating under the name Redlands Grill. During fiscal year 2015, 12 locations formerly operated as J. Alexander's restaurants began the transition to Redlands Grill locations. Management anticipates that use of the Redlands Grill name will also allow for expansion into certain markets which may currently have a J. Alexander's and/or Stoney River Steakhouse and Grill ("Stoney River") restaurant that might not otherwise have been considered viable for expansion opportunities. Assuming the initial transitions are successfully completed, management anticipates a total of 14 to 16 J. Alexander's locations will be transitioned to the Redlands Grill concept. Other restaurant locations may be added or converted to the Redlands Grill concept or to other concepts in the future as J. Alexander's Holdings, Inc. determines how best to position its multiple concepts in a given geographic market.

J. Alexander's Holdings, Inc., through its subsidiaries, owns and operates full service, upscale restaurants under the J. Alexander's, Redlands Grill and Stoney River concepts. At both October 2, 2016 and January 3, 2016, restaurants operating within the J. Alexander's concept consisted of 19 restaurants in nine states. At October 2, 2016 and January 3, 2016, restaurants operating within the Stoney River concept consisted of 11 and 10 locations within six states, respectively, as one new Stoney River restaurant began operations during the first quarter of 2016 in Germantown, Tennessee. As noted above, during fiscal year 2015, 12 locations within eight states formerly operated as J. Alexander's restaurants began the transition to Redlands Grill locations. Each concept's restaurants are concentrated primarily in the East, Southeast, and Midwest regions of the United States. J. Alexander's Holdings, Inc. does not have any restaurants operating under franchise agreements.

Note 2 – Basis of Presentation

(a) Interim Financial Statements

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The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and rules of the SEC. Accordingly, they do not include all of the information and footnote disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the quarter and nine-month period ended October 2, 2016, are not necessarily indicative of the results that may be expected for the fiscal year ending January 1, 2017. For further information, refer to the Consolidated Financial Statements and footnotes thereto for the fiscal year ended January 3, 2016 included in the Annual Report on Form 10-K of J. Alexander's Holdings, Inc. filed with the SEC on March 30, 2016.

Total comprehensive income (loss) is comprised solely of net income (loss) for all periods presented.

(b) Principles of Consolidation

The Condensed Consolidated Financial Statements include the accounts of J. Alexander's Holdings, Inc. as well as the accounts of its majority-owned subsidiaries. All intercompany profits, transactions, and balances between J. Alexander's Holdings, Inc. and its subsidiaries have been eliminated. Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

As discussed in Note 1, as a result of the Distribution, certain reorganization changes were made resulting in J. Alexander's Holdings, Inc. owning all of the outstanding Class A Units and becoming the sole managing member of J. Alexander's Holdings, LLC. The reorganization transactions were accounted for as a non-substantive transaction in a manner similar to a transaction between entities under common control pursuant to Accounting Standards Codification ("ASC") 805-50, Transactions between Entities under Common Control, and as such, J. Alexander's Holdings, Inc. recognized the assets and liabilities transferred at their carrying amounts on the date of transfer. J. Alexander's Holdings, Inc. is a holding company with no direct operations and that holds as its sole asset an equity interest in J. Alexander's Holdings, LLC and, as a result, relies on J. Alexander's Holdings, LLC to provide it with funds necessary to meet its financial obligations. The Condensed Consolidated Financial Statements for periods prior to the Distribution date of September 28, 2015 represent the historical operating results and financial position of J. Alexander's Holdings, LLC.

(c) Fiscal Year

The J. Alexander's Holdings, Inc. fiscal year ends on the Sunday closest to December 31, and each quarter typically consists of 13 weeks. The quarter and nine-month period ended October 2, 2016 and September 27, 2015 each included 13 and 39 weeks of operations, respectively. Fiscal year 2016 will include 52 weeks of operations, and fiscal year 2015 included 53 weeks of operations.

(d) Discontinued Operations

During the 2013 fiscal year, three underperforming J. Alexander's restaurants were closed, and two of these restaurants were considered to be discontinued operations. The \$111 and \$106 loss from discontinued operations included in the quarters ended October 2, 2016 and September 27, 2015, respectively, and losses for the nine-month periods ended October 2, 2016 and September 27, 2015 of \$328 and \$317, respectively, consist solely of exit and disposal costs which are primarily related to continuing obligations under leases for closed locations. There were no related assets reclassified as held for sale related to these closures, as there were no significant remaining assets related to these locations subsequent to the asset impairment charges being recorded at the time of closure in fiscal year 2013.

(e) Transaction Costs

Transaction costs associated with the J. Alexander's Acquisition and the Spin-off discussed in Note 1 above were incurred, totaling \$0 and \$4,197 for the quarters ended October 2, 2016 and September 27, 2015, respectively, and totaling \$62 and \$6,311 for the nine-month periods ended October 2, 2016 and September 27, 2015, respectively. Transaction costs typically consist primarily of legal and consulting costs, accounting fees, and to a

lesser extent other professional fees and miscellaneous costs.

(f) Earnings per Share

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Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding for the reporting period. Diluted earnings per share gives effect during the reporting period to all dilutive potential shares outstanding resulting from share-based compensation awards. Diluted earnings per share of common stock is computed similarly to basic earnings per share except the weighted average shares outstanding are increased to include additional shares from the assumed exercise of any common stock equivalents, if dilutive. J. Alexander's Holdings, LLC Class B Units are considered common stock equivalents for this purpose. The number of additional shares of common stock related to these common stock equivalents is calculated using the if-converted method, if dilutive. The number of additional shares of common stock related to stock option awards is calculated using the treasury method, if dilutive. Refer to Note 3 – Earnings per Share for the basic and diluted earnings per share calculations and additional discussion.

As stated above, the periods prior to the Distribution presented in the accompanying Condensed Consolidated Financial Statements represent the historical operating results and financial position of J. Alexander's Holdings, LLC. For comparison purposes, earnings per share amounts are calculated for such periods using a weighted-average number of common shares outstanding based on the number of shares outstanding on the Distribution date as if all shares had been outstanding since the first day of the earliest period presented.

(g) Non-controlling Interests

Non-controlling interests presented on the Condensed Consolidated Balance Sheets represent the portion of net assets of J. Alexander's Holdings, Inc. attributable to the non-controlling J. Alexander's Holdings, LLC Class B Unit holders. As of October 2, 2016 and January 3, 2016, the non-controlling interests presented on the Condensed Consolidated Balance Sheets were \$2,730 and \$1,184, respectively, and consist solely of the non-cash compensation expense relative to the profits interest awards to management and Black Knight. The vesting requirements under either grant entitling Class B Unit holders to distributions of earnings of J. Alexander's Holdings, LLC had not been met as of October 2, 2016 and, therefore, no allocation of net income was made to non-controlling interests for the nine-month periods ended October 2, 2016 and September 27, 2015.

(h) Use of Estimates

Management has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the periods presented to prepare these Condensed Consolidated Financial Statements in conformity with GAAP. Significant items subject to such estimates and assumptions include those related to the accounting for gift card breakage, determination of the valuation allowance relative to deferred tax assets, if any, estimates of useful lives of property and equipment and leasehold improvements, the carrying amount of intangible assets, fair market valuations, determination of lease terms, and accounting for impairment losses, contingencies, and litigation. Actual results could differ from these estimates.

(i) Segment Reporting

J. Alexander's Holdings, Inc. through its subsidiaries owns and operates full-service, upscale restaurants under three concepts exclusively in the United States that have similar economic characteristics, products and services, class of customer and distribution methods. J. Alexander's Holdings, Inc. believes it meets the criteria for aggregating its operating segments into a single reportable segment.

(j) Share Repurchases

As stated in Note 1, the J. Alexander's Holdings, Inc. Board of Directors has authorized a share repurchase program, pursuant to which a total of 300,059 shares were repurchased during the nine-month period ended October 2, 2016 for an aggregate purchase price of \$3,153. Pursuant to Tennessee state law, the repurchased shares were retired and are now authorized and unissued shares. The repurchases and retirements were recorded as a reduction to common stock based on the par value of the shares, and the excess over par value was recorded as a reduction to retained earnings in accordance with ASC 505-30, Equity – Treasury Stock.

Note 3 – Earnings per Share

The following table sets forth the computation of basic and diluted earnings (loss) per share:

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	Quarter Ended		Nine-Month Period	
	October		Ended	
	September 27		September 27	
(Dollars and shares in thousands, except per share amounts)	2	2015	2	2015
	2016		2016	
Numerator:				
Income (loss) from continuing operations, net of tax	\$1,056	\$ (2,371)	\$4,650	\$ 3,351
Loss from discontinued operations, net	(111)	(106)	(328)	(317)
Net income (loss)	\$945	\$ (2,477)	\$4,322	\$ 3,034
Denominator:				
Weighted average shares (denominator for basic earnings (loss) per share)	14,700	15,000	14,862	15,000
Effect of dilutive securities	-	-	7	-
Adjusted weighted average shares and assumed conversions	14,700	15,000	14,869	15,000
(denominator for diluted earnings (loss) per share)				
Basic earnings (loss) per share:				
Income (loss) from continuing operations, net of tax	\$0.07	\$ (0.16)		