RED ROBIN GOURMET BURGERS INC
Form 10-K
February 25, 2011

Use these links to rapidly review the document
TABLE OF CONTENTS
ITEM 8. Financial Statements and Supplementary Data

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 26, 2010

o **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 0-49916

RED ROBIN GOURMET BURGERS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**84-1573084** (I.R.S. Employer Identification No.)
6312 S Fiddler's Green Circle, Suite 200N **Greenwood Village, CO** (Address of Principal Executive Offices)	**80111** (Zip Code)

(303) 846-6000
(Registrant's Telephone Number, Including Area Code)

Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, $0.001 par value

Name of each exchange on which registered: NASDAQ (National Market)

Securities Registered Pursuant to Section 12(g) of the Act:

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No ý

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates (based on the closing price on the last business day of the registrant's most recently completed second fiscal quarter on The NASDAQ National Market) was $260.5 million. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

There were 15,618,936 shares of common stock outstanding as of February 22, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required for Items 10, 11, 12, 13 and 14 of Part III of this annual report on Form 10-K is incorporated by reference to the registrant's definitive proxy statement for the 2011 annual meeting of stockholders.

Table of Contents

RED ROBIN GOURMET BURGERS, INC.

TABLE OF CONTENTS

Table of Contents

PART I

ITEM 1. Business

Overview

Red Robin Gourmet Burgers, Inc., together with its subsidiaries, is a casual dining restaurant chain focused on serving an imaginative selection of high quality gourmet burgers in a family-friendly atmosphere. We opened the first Red Robin® restaurant in Seattle, Washington in September 1969. In 1979, the first franchised Red Robin® restaurant was opened in Yakima, Washington. In 2001, we formed Red Robin Gourmet Burgers, Inc., a Delaware corporation and consummated a reorganization of the company. Since that time, Red Robin Gourmet Burgers, Inc. has owned all of the outstanding capital stock or membership interests, either directly or indirectly, of Red Robin International, Inc., and our other operating subsidiaries through which we operate our company-owned restaurants. Unless otherwise provided in this annual report on Form 10-K, references to "Red Robin," "we", "us", "our", and "the Company" refer to Red Robin Gourmet Burgers, Inc. and our consolidated subsidiaries. For the fiscal year 2010, we generated total revenues of $864 million. As of the end of our fiscal year on December 26, 2010, the system included 450 restaurants, of which 314 were company-owned, and 136 were operated under franchise agreements with 21 franchisees. Our franchisees are independent organizations to whom we provide certain support. See "Restaurant Franchises and Licensing Arrangements" for additional information about our franchise program. As of December 26, 2010, there were Red Robin® restaurants in 40 states and 2 Canadian provinces.

2010 was a period of positive transition for Red Robin, during which we implemented a number of governance and management changes and we developed a plan to deliver strong, sustainable, best-in-class improvement in our operating and financial performance. We added four new independent board members, and appointed a new chief executive officer, Stephen E. Carley, who also serves as a fifth new director. Together they bring substantial strategic, financial, restaurant and food-service industry experience to the board and the Company. Mr. Carley joined the Company in September and devoted the fourth quarter of 2010 to leading our management team in reviewing the Company's brand, financial and operating performance, and developing a strategic action plan for long-term enhanced growth and profitability in 2011 and beyond.

Business Strategy

Our foundation is based on delivering great experiences for our guests, which will lead to sustainable, continually improving operating and financial results. This focus forms the basis for our vision, which is to inspire *crazy loyalty* through memorable "YUMMM"® experiences for our team members, guests and our communities including our shareholder community. Our mission is to be the everyday oasis for families and guests of all ages who want to enjoy craveable gourmet burgers in a fun, energetic environment with attentive and friendly service. We have identified and continue to examine opportunities that will drive strong financial performance through both revenue growth and improved expense management. We also see opportunities in both the short and long term to optimize the allocation of our capital. We have built key short and long-term strategies and initiatives around these opportunities, which we collectively have named "Project RED". The key objectives of Project RED include:

- **Achieve Revenue growth.** To drive revenue growth, we have developed several initiatives to increase guest traffic and sales in our restaurants through greater trial and frequency, increasing our average guest check through incremental sales and expansion of our dayparts, and more effectively balancing an adult focus with our family friendly service. See "Marketing and Advertising" below for additional information about our marketing strategy and initiatives.

Table of Contents

Manage Expenses across our enterprise. We continue to focus on managing our expenses in the operation of our restaurants and in our selling, general and administrative functions. Our restaurant operating costs include food and other commodities, labor cost and benefits, restaurant supplies, utilities, occupancy and other operating costs. Macroeconomic and other external factors, such as commodity and other price increases have historically put pressure on these costs. We are pursuing strategies to mitigate the impact of these external factors, including continuous review and revamping of our distribution and supply chain relationships, continued labor productivity improvement efforts, utility management programs and initiatives to streamline operations. We will continue these initiatives and examine any additional opportunities to reduce overhead costs and improve efficiencies throughout our organization as part of our ongoing cost management efforts.

Optimize our Deployment of capital. We are focused on disciplined deployment of capital to both grow the brand and to maximize long-term shareholder returns by optimizing the return on our capital investments. Matters under consideration include new development opportunities, including the appropriate mix of franchised and company-owned units, new prototype restaurants, geographical locations and sizes of restaurants; opportunistic share repurchases; and optimizing our financial structure, including the refinancing of our existing debt in 2011. We will continue with opening a reduced number of NROs as we kick off our initiatives to increase restaurant traffic and sales and invest capital into our supporting infrastructure.

Restaurant Concept

The Red Robin brand has many desirable attributes, including a strong values-based and guest-focused culture, along with a talented team and a passionate desire to win. We intend to capitalize on these attributes as we execute our plans going forward. Red Robin was founded on four core values: *Honor, Integrity, Continually Seeking Knowledge* and *Having Fun*. These core values are the foundation for every Red Robin decision, from creating our gourmet burgers to hiring energetic team members. They also are the foundation for how we treat our team members, guests, and communities. These core values can be found embroidered on the sleeve of every team member's shirt, which serve as a constant reminder of what makes our company unique and special.

Red Robin® restaurants are designed to create a fun and memorable "YUMMM"® dining experience in an exciting, high-energy, atmosphere, that is not only family-friendly, but also will include a renewed forward focus on adult occasions. We believe that we differentiate our restaurants from our competitors' by our brand architecture which defines the Red Robin Guest experience.

Our menu features our signature product, the gourmet burger, which we make from premium quality ground beef; and other sandwiches made from chicken breasts, fish filets, turkey patties, as well as vegetarian and vegan burger sandwich options. We offer a wide selection of buns including ciabatta, herbed focaccia and whole grain buns, jalapeno roll and marbled rye and more than 30 toppings including fresh guacamole, barbeque sauce, grilled pineapple, crispy onion straws, sautéed mushrooms, fried jalapenos, bruschetta salsa, pepperoni, chili, coleslaw and dill pickle slices a choice of 11 different cheeses, and even a fried egg. In addition to gourmet burgers and chicken sandwiches, which accounted for approximately 51% of our total food sales in 2010, Red Robin serves an array of other items that appeal to a broad range of guests. These items include a variety of appetizers, salads, soups, pastas, seafood, other entrees, desserts, and the Company's signature Mad Mixology® alcoholic and non-alcoholic specialty beverages. All of our gourmet burgers and sandwiches are served with our all-you-can-eat Bottomless Steak Fries®. Our guests can order to meet their dietary needs and preferences by customizing their menu orders.

We believe in giving our guests the "gift of time." All of Red Robin's menu items are designed to be delivered to guests in a time-efficient manner. Our service sequence is designed to consistently

Table of Contents

prepare every menu item in less than eight minutes, which allows guests to enjoy time-efficient lunches and dinners. We strive to provide guests with a 37-minute dining experience at lunch and a 42-minute dining experience at dinner. Red Robin also has an unparalleled and extraordinary approach to guest service using Unbridled Acts®. We have catalogued thousands of stories of Red Robin team members who live our values through random acts of kindness they bestow upon restaurant guests and other team members. Many of our Unbridled Acts® can be found on our website, *www.redrobin.com*. We encourage our team members to execute on the aspects of service that we have identified to be our biggest drivers of our guest loyalty.

We also strive to provide our guests with exceptional dining value. In 2010, we had a per person average check of approximately $11.43, including beverages. We believe this price-to-value relationship and our LTOs featuring innovative gourmet burgers, salads, and sandwiches at a value price point differentiate us from our competitors, many of whom have significantly higher average guest checks, and it allows us to appeal to a broad base of consumers with a wide range of income levels. A low average guest check, combined with swift service and a family-friendly atmosphere further differentiates us from many other casual dining restaurants.

Operations

Restaurant Management

Our typical restaurant management team consists of a general manager, an assistant general manager, a kitchen manager, and one or two assistant managers depending on restaurant sales volumes. The management team of each restaurant is responsible for the day-to-day operation of that restaurant, including hiring, training, and developing of team members, as well as operating results. Most of our restaurants employ approximately 85 hourly team members, many of whom work part-time.

We try to identify seasoned leadership teams 12 months ahead of our new restaurant openings, with the expectation that seasoned leadership will provide a better team member and guest experience while enabling a new restaurant to quickly reach normalized operations.

Learning and Development New Restaurants

Team members in a new restaurant complete a training process to ensure the smooth and efficient operation of the restaurant from the first day it opens to the public. We have created a set of core competencies that each of our trainers must possess before they participate in a new restaurant opening. This allows us to minimize training time and resources required to prepare teams at our new restaurants. We also continue to enhance our manager training curriculum to better prepare new managers for the challenging environment that a new restaurant creates so they can confidently execute our processes, systems, and values.

Prior to opening a new restaurant, our training and opening team travels to the new restaurant location to prepare for an intensive training program for all team members hired for the new restaurant opening. Part of the training team stays on-site during the first week of operation. An additional team of training support also arrives during the first week of operation and remains for weeks two and three for on-site support.

On-going Learning and Development

We strive to maintain quality and consistency in each of our restaurants through the training and supervision of team members and the establishment of, and adherence to, high standards relating to personnel performance, food and beverage preparation and production as well as the maintenance of our restaurants. Each restaurant has a core group of certified trainers who provide on-the-job instruction for new team members who must be certified for their positions by passing a series of tests.

Table of Contents

These trainers participate in a train-the-trainer seminar that provides them with knowledge and tactics to enable them to coach our team members to meet our standards.

Restaurant managers are required to complete a training program in one of our certified training restaurants that includes guest service, kitchen and management responsibilities. Newly trained managers are then assigned to their home restaurant where they obtain ongoing training with their general manager. We place a high priority on our continuing management development programs in order to ensure that qualified managers are available and prepared for future restaurant openings and to fill open management positions. We conduct semi-annual performance reviews with each manager to discuss prior performance and future performance goals. Annually, we hold a leadership conference during which our general managers receive additional training on leadership, food safety, management systems, hospitality, and other relevant topics on a rotating basis.

Food Preparation, Quality Control and Purchasing

Our food safety and quality assurance programs help manage our commitment to quality ingredients and food preparation. Our systems are designed to protect our food supply throughout the preparation process. We provide detailed specifications of our food ingredients, products, and supplies to our suppliers. We inspect specific qualified manufacturers and growers. Our restaurant managers are certified in a comprehensive safety and sanitation course by the National Restaurant Association's ServSafe program. Minimum cooking and cooling procedures and frequent temperature and quality assurance checks ensure the safety and quality of burgers and other ingredients we use in our restaurants. In order to provide the freshest ingredients and products and to maximize operating efficiencies between purchase and usage, each restaurant's management team determines the restaurant's daily usage requirements for food ingredients, products and supplies, and, accordingly, orders from approved local suppliers and distributors. The restaurant management team inspects all deliveries to ensure that the items received meet our quality specifications and negotiated prices. Beginning in 2010, we also engaged a third-party company to perform comprehensive food safety and sanitation inspections in all Red Robin® restaurants.

To maximize our purchasing efficiencies and obtain the best possible prices for our high-quality ingredients, products and supplies, our centralized purchasing team generally negotiates fixed price agreements with terms between one month and two years on monthly commodity pricing formulas. Chicken represented approximately 13.8% and ground beef represented approximately 13.7% of our food costs in 2010. Our contracts for chicken in fiscal year 2011 are fixed price contracts through December 31, 2011. In 2011, our ground beef prices are expected to be based on current market prices with contract overages and are expected to run above 2010 prices. In addition, we have entered into supply agreements for 2011 for our Steak Fries, fry oil, ketchup and many other commodities at prices generally below 2010 levels. We monitor the primary commodities we purchase in order to minimize the impact of fluctuations in price and availability. However, certain commodities remain subject to price fluctuations. We have identified competitively priced, high quality alternative manufacturers, suppliers, growers, and distributors that are available should the need arise.

Restaurant Development

Since 2007, the average sales volumes for each successive class of new restaurant openings ("NROs") has increased, and the restaurant-level profit margins for the 2009 and 2010 NRO classes outperformed the rest of the restaurants in our system. In addition, our average net cash investment for new units continues to decline, currently down to approximately $1.9 million per new restaurant in 2010 from approximately $2.6 million per new restaurant in 2006. This continued progress on new restaurant (NRO) performance in recent years has given us the confidence to continue NRO development into 2011 and 2012. As we explore new development opportunities, we are limiting our new company-owned restaurant growth to 10 units in 2011 and 5 units in 2012. However, we will revisit our development decisions as we see the results on the strategies and initiatives discussed in this document. We will continue to fund new restaurant development from our operating cash flow.

Restaurant Franchise and Licensing Arrangements

As of December 26, 2010, we had 21 franchisees that were operating 136 restaurants in 21 states and two Canadian provinces, and we had eight exclusive franchise area development arrangements with certain of those franchisees. In 2010, our franchisees opened five new restaurants and closed two. We expect that our franchisees will open three to four new restaurants in 2011. Our two largest franchisees are Ansara Restaurant Group, Inc. with 21 restaurants located in Michigan and Ohio and Red Robin Restaurants of Canada, Ltd. with 18 restaurants located in Alberta and British Columbia, Canada. An affiliate of Mach Robin, LLC, a Red Robin franchisee, owns Red Robin Restaurants of Canada, Ltd.

Although in recent years we have not actively sought or sold new franchises, we are carefully reviewing opportunities to reinstitute our franchise program, optimize our mix of company-owned and franchised restaurants and work with our existing franchisees to provide incentives to open new franchised restaurants where there are attractive development opportunities.

Our typical franchise arrangement consists of an area development agreement and a separate franchise agreement for each restaurant. Our current form of area development agreement grants the franchisee the exclusive right to develop restaurants in a defined area over a defined term, which is usually five years. The franchise agreement for the restaurant authorizes the franchisee to operate the restaurant using our trademarks, service marks, trade dress, operating systems, recipes, manuals, processes, and related items. The franchise agreement typically grants the franchisee an initial term of 20 years and the option to extend the term for an additional 10 years provided the franchisee satisfies certain conditions.

Under our current form of area development agreement, a franchisee must pay us a $10,000 area development fee at the time we execute the agreement for each restaurant the franchisee agrees to develop. When a franchisee opens a new restaurant, pursuant to the development agreement we collect an additional franchise fee of $25,000. Under area development agreements we made with certain of our franchisees in early years, the development fee and the franchise fee were lower. For existing franchisees who do not have a current development agreement, or whose agreements have expired or have otherwise terminated, we may negotiate a one-time fee for each restaurant they develop. We recognize area development fees and franchise fees as income when we have performed all of our material obligations and initial services related to each fee that assist the franchisee in developing and opening the restaurant. Until earned, we account for these fees as deferred revenue, an accrued liability. Our standard form of franchise agreement requires the franchisee to pay a royalty fee equal to 4.0% of adjusted gross restaurant sales. However, certain franchisees pay royalty fees ranging from 3.0% to 3.5% of adjusted gross restaurant sales under agreements we negotiated with those franchisees in prior years.

Franchise Compliance Assurance

We actively work with and monitor our franchisees' performance to help them develop and operate their restaurants in compliance with Red Robin's systems and procedures. During the restaurant development phase, we review the franchisee's site selection and provide the franchisee with our prototype building plans. We provide trainers to assist the franchisee in opening the restaurant for business. We advise the franchisee on all menu items, management training, and equipment and food purchases. On an ongoing basis, we conduct brand equity reviews of all franchise restaurants to determine their level of effectiveness in executing our concept.

To continuously improve our marketing programs and operating systems, we maintain a marketing advisory council and a franchise business advisory council comprised of corporate and franchisee

Table of Contents

members. Through those councils, we solicit the input of our franchisees on marketing programs, including their suggestions as to which new menu items we should test and feature in future promotions. We also exchange best operating practices with our franchisees as we strive to improve our operating systems while attaining a high level of franchisee participation.

Information Technology

Our restaurants are enabled with information technology and decision support systems that are designed to provide operational tools for sales, inventory, and labor management. This technology includes industry-specific, off-the-shelf systems, as well as proprietary software that helps us optimize food and beverage costs and labor scheduling. These solutions have been integrated with our point-of-sale systems to provide daily, weekly and period-to-date information that is important for managers to run an efficient and effective operation. In addition, we use an online guest feedback system, which provides real-time results on guest service, food quality, and atmosphere to each of our restaurants.

We have a strong focus on the protection of our guests' credit card information. Our systems have been carefully designed and configured to protect against data loss and our practices and systems have been certified annually by an independent, outside auditor.

In recent years, we utilize centralized financial, accounting, and HR systems for company-owned restaurants. In addition, an operations dashboard is used to integrate data from our centralized systems with the distributed information managed in our restaurants. We believe these tools combined are important in analyzing and improving profit margins. In 2011, we will continue to invest in our systems as we implement a major overhaul of our data infrastructure, including the replacement of several key operational and financial systems.

Marketing and Advertising

We build brand equity and awareness primarily through national marketing, including national cable, digital, social media programs, and public relations initiatives. These programs are funded primarily through the marketing and national media advertising funds.

In recent years, we have undertaken significant guest and market research initiatives to gain feedback and perceptions from our guests in order to help inform our business decisions. Among other things, we launched a guest satisfaction tool in all company restaurants that provides immediate feedback from guests, via the internet or by phone, on their experiences at our restaurants. Restaurant managers use this information to help them identify areas of focus to strengthen restaurant performance and track progress. We also continually monitor our national brand equity scores and business drivers among both current and potential guests.

Our 2010 marketing strategy was an extension of successful testing in the fourth quarter of 2009 of LTO promotions supported by national television media advertising. We included television media support for three LTO promotions during 2010, in the spring, summer and fall, to promote product news, our value price point, and our product variety messages. The LTOs were also supported with online digital media, PR, and in-restaurant promotional materials. The television media support ran over four of the eight weeks of these product promotions. In all three of the promotional periods, guest counts and same store sales increased significantly during the weeks when the LTO was supported with TV media compared to the weeks prior to the TV media support. As a result national television advertising will be used to support similar promotions during 2011.

In January 2011, after a test in company-owned Red Robin® restaurants, we rolled out Red Robin's Red Royalty program, our smart loyalty program, in all 300+ company-owned restaurants. Red Royalty will provide us with a robust database with insights into guest behavior and dining

Table of Contents

patterns, and enable us to deliver targeted and relevant messages and incentives to increase guest retention and frequency.

In 2010, we continued the expansion of our Gift Card programs, primarily distribution of gift cards outside our restaurants via third party retailers, as well as increasing our focus on gift card occasions throughout the year inside our restaurants through our gift card merchandisers. As a result of these efforts, we have our gift cards in over 10,000 third party retailer locations at the end of 2010 and total gift card sales increased 22% in 2010 over 2009.

We also plan to implement additional initiatives to support increase in alcohol sales by offering specials during off peak day parts, menu and point-of-purchase redesign to highlight our alcohol beverage business, a happy hour program that we began rolling out in all jurisdictions that allow happy hour programs in early 2011, suggestive sell programs focused on beverages, appetizers and desserts, and other programs to drive incremental traffic and frequency across the entire system. These initiatives are intended to increase visits by our adult guests while remaining family-friendly.

Team Members

As of December 26, 2010, we had 23,198 employees, to whom we refer as team members, consisting of 22,922 team members at company-owned restaurants and 276 team members at our corporate headquarters and our regional offices. None of our team members are covered by a collective bargaining agreement. We consider our team member relations to be good.

We support our team members by offering competitive wages and benefits, including a 401(k) plan, an employee stock purchase plan, medical insurance, and stock based awards for corporate and operations directors. We motivate and prepare our team members by providing them with opportunities for increased responsibilities and advancement, as well as significant performance based incentives tied to sales, profitability, certain qualitative measures, and length of service.

Executive Officers

The following table sets forth information about our executive officers:

Name	Age	Position
Stephen E. Carley	58	Chief Executive Officer
Eric C. Houseman	43	President and Chief Operating Officer
Katherine L. Scherping	51	Senior Vice President and Chief Financial Officer
Todd A. Brighton	53	Senior Vice President and Chief Development Officer
Annita M. Menogan	56	Senior Vice President, Chief Legal Officer and Secretary
Susan Lintonsmith	46	Senior Vice President and Chief Marketing Officer
Chris Laping	38	Senior Vice President and Chief Information Officer

Stephen E. Carley. Mr. Carley was appointed Chief Executive Officer in September 2010. He previously served from April 2001 until September 2010 as the Chief Executive Officer of El Pollo Loco, a privately held restaurant company headquartered in Costa Mesa, California. Prior to his service at El Pollo Loco, Mr. Carley served in various management positions with several companies, including PhotoPoint Corp., Universal City Hollywood, PepsiCo, and the Taco Bell Group.

Eric C. Houseman. Mr. Houseman joined Red Robin in 1993. He was appointed President and Chief Operating Officer of Red Robin in August 2005. He previously served as Vice President of Operations from March 2000 until August 2005, Director of Operations Oregon/Washington from January 2000 to March 2000, Senior Regional Operations Director from September 1998 to January 2000, and General Manager from January 1995 to September 1998.

Table of Contents

Katherine L. Scherping. Ms. Scherping joined Red Robin as Vice President and Chief Financial Officer in June 2005 and was promoted to Senior Vice President in 2007. From August 2004 until her employment with Red Robin, Ms. Scherping was the Controller for Policy Studies, Inc. in Denver, Colorado. From August 2002 until June 2003, she served as Chief Financial Officer and Treasurer of Tanning Technology Corporation in Denver, Colorado. From April 1999 until August 2002, Ms. Scherping served as Director of Finance and Treasurer of Tanning Technology Corporation. Ms. Scherping has over 29 years experience serving in various finance and accounting roles. Ms. Scherping is a Certified Public Accountant.

Todd A. Brighton. Mr. Brighton joined Red Robin in April 2001 as Vice President of Development. He was appointed Senior Vice President and Chief Development Officer in August 2005. From August 1999 until his employment with Red Robin, Mr. Brighton worked for RTM Restaurant Group in Atlanta, Georgia as Director of Real Estate.

Susan Lintonsmith. Ms. Lintonsmith joined Red Robin as Senior Vice President and Chief Marketing Officer in April 2007. Before joining Red Robin, Ms. Lintonsmith was Vice President and General Manager for WhiteWave Foods' Horizon Organic dairy brand from June 2005 to March 2007. Previous to WhiteWave, she served as Vice President of Global Marketing with Western Union from January 2002 to May 2005. Ms. Lintonsmith also spent over five years with the Coca-Cola Company in brand management, promotions and field marketing and over seven years with Pizza Hut Inc., last as Director of Marketing, New Products and Concepts.

Annita M. Menogan. Ms. Menogan joined Red Robin in January 2006 as Vice President, Chief Legal Officer and Secretary and was promoted to Senior Vice President in 2007. From August 1999 to September 2005, Ms. Menogan was employed by Coors Brewing Company as Assistant General Counsel, and served as Vice President, Secretary and Deputy General Counsel of Adolph Coors Company and of Molson Coors Brewing Company, following the merger with Molson Inc. in February 2005. Ms. Menogan was engaged in the private practice of law from 1983 to 1999.

Chris Laping. Mr. Laping joined Red Robin as Vice President and Chief Information Officer in June 2007 and was promoted to Senior Vice President in February 2011. Mr. Laping brings more than 20 years of information technology and business transformation experience to Red Robin. Prior to joining Red Robin, Mr. Laping worked at Statêra, Inc. from February 2006 to June 2007 as Principal and Chief Information Officer and served as a technology consultant to the Company. Before working as a consultant, Chris spent five years between 2001 and 2006 as a Vice President and Chief Information Officer for GMAC Commercial Holding Capital Corp.

Competition

The restaurant industry is highly competitive. We compete against other segments of the restaurant industry, including quick-service and fast-casual restaurants. The number, size and strength of competitors vary by region, concept, market and even restaurant. We compete on the basis of taste, quality, price of food offered, guest service, ambiance, location, and overall dining experience. In particular, we face intense and substantial competition from fast or fast casual concepts focused on the sale of hamburgers. Many of these concepts are expanding faster than us and are penetrating both geographic and demographic markets that we target as well. Moreover, many of these concepts compete with smaller building units, which allow them to have greater flexibility in site selection and market penetration.

We believe that our guest demographics, our gourmet burger concept, attractive price-value relationship, and the quality of our food and service enable us to differentiate ourselves from our competitors. We believe we compete favorably with respect to each of these factors. Many of our competitors are well-established national, regional, or local chains and may have substantially greater

Table of Contents

financial, marketing, and other resources than we do. We also compete with many other restaurant and retail establishments for site locations and team members.

Seasonality

Our business is subject to seasonal fluctuations. Historically, sales in most of our restaurants have been higher during the summer months and winter holiday season. As a result, our quarterly and annual operating results and comparable restaurant sales may fluctuate significantly as a result of seasonality. Accordingly, results for any one quarter or year are not necessarily indicative of results to be expected for any other quarter or for any year, and comparable restaurant sales for any particular future period may decrease.

Trademarks

We have a variety of registered trademarks and service marks that include the marks "Red Robin®", "America's Gourmet Burgers & Spirits®", "Mad Mixology®", "YUMMM®"* and our logo. We have registered these marks with the United States Patent and Trademark Office and the Canadian Intellectual Property Office (*YUMMM trademark application pending in Canada). In order to better protect our brand, we have also registered the Internet domain name *www.redrobin.com*. We believe that our trademarks, service marks, and other proprietary rights have significant value and are important to our brand-building efforts and the marketing of our restaurant concept.

Government Regulation

Our restaurants are subject to licensing and regulation by state and local health, safety, fire, and other authorities, including licensing requirements and regulations for the sale of alcoholic beverages and food. To date, we have been able to obtain or maintain any necessary licenses, permits, or approvals. The development and construction of new restaurants is subject also to compliance with applicable zoning, land use, and environmental regulations. We are also subject to federal regulation and state laws that regulate the offer and sale of franchises and substantive aspects of a franchisor-franchisee relationship. Various federal and state labor laws govern our relationship with our team members and affect operating costs. These laws govern minimum wage requirements, overtime pay, meal and rest breaks, unemployment tax rates, workers' compensation rates, citizenship or residency requirements, child labor regulations, and discriminatory conduct. Various states and municipalities are also establishing regulations with respect to disclosure of nutritional information.

There has been an increasing focus on climate change recently, including increased attention from regulatory agencies and legislative bodies globally. This increased focus may lead to new initiatives directed at regulating an as yet unspecified array of environmental matters, such as the emission of greenhouse gases. We are unable to predict the potential effects that any such future environmental initiatives may have on our business as those effects are likely to be complex.

Available Information

We maintain a link to investor relations information on our website, *www.redrobin.com*, where we make available, free of charge, our Securities and Exchange Commission (SEC) filings, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our website and the information contained on or connected to our website is not incorporated by reference herein, and our web address is included as an inactive textual reference only.

Table of Contents

Forward-Looking Statements

From time-to-time the Company makes oral and written statements that reflect the Company's current expectations regarding future results of operations, economic performance, financial condition and achievements of the Company. We try, whenever possible, to identify these forward-looking statements by using words such as "anticipate," "assume," "believe," "estimate," "expect," "intend," "plan," "project," "may," "will," "would," and similar expressions. Certain forward-looking statements are included in this Form 10-K, principally in the sections captioned "Business," "Legal Proceedings," "Consolidated Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements relate to, among other things:

- our business objectives and strategic plans, including the strength of our long-term growth and profit, expense management and capital deployment opportunities;

- our strategies and initiatives, including Project RED and its objectives;

- our ability to open and operate additional restaurants in both new and existing markets profitably, the anticipated number of new restaurants and the timing of such openings;

- our ability to invest in our systems and implement a major overhaul of our data infrastructure including the replacement of several key operational and financial systems;

- estimated costs of opening and operating new restaurants, including general and administrative, marketing and, franchise development costs;

- expected future revenues and earnings, comparable and non-comparable restaurant sales, results of operations, and future restaurant growth (both company-owned and franchised);

- anticipated restaurant operating costs, including commodity and food prices, labor and energy costs and selling, general and administrative expenses and ability to reduce overhead costs and improve efficiencies;

- anticipated advertising costs and plans to include television advertising to support 2011 LTO promotions and the success of our advertising and marketing activities and tactics, including our Red Royalty program and the effect on revenue and guest counts;

- our ability to attract new guests and retain loyal guests, and our new initiatives targeted at adult guests;

- any future price increases, including the increase anticipated in April 2011, and their impact on our revenue and profit;

- future capital deployment strategies, including potential share repurchases and debt refinancing, capital and anticipated expenditures including the amounts of such capital expenditures;

- our expectation that we will have adequate cash from operations and credit facility borrowings to reduce our debt and to meet all future debt service, capital expenditures, including new restaurant development, and working capital requirements in fiscal year 2011;

planned debt re-financings;

anticipated compliance with debt covenants;

the sufficiency of the supply of commodities and labor pool to carry on our business;

anticipated restaurant closings and related impairment charges;

anticipated interest and tax expense;

Table of Contents

- impact of the adoption of new accounting standards on our financial and accounting systems and analysis programs;

- expectations regarding competition and our competitive advantages; and

- expectations regarding consumer preferences and consumer discretionary spending.

Although we believe that the expectations reflected in our forward-looking statements are based on reasonable assumptions, such expectations may prove to be materially incorrect due to known and unknown risks and uncertainties.

In some cases, information regarding certain important factors that could cause actual results to differ materially from any forward-looking statement appears together with such statement. In addition, the factors described under Critical Accounting Policies and Estimates and Risk Factors, as well as other possible factors not listed, could cause actual results to differ materially from those expressed in forward-looking statements, including, without limitation, the following: concentration of restaurants in certain markets and lack of market awareness in new markets; changes in disposable income; consumer spending trends and habits; regional mall and lifestyle center traffic trends; increased competition in the casual dining restaurant market; effectiveness of our 2011 marketing campaign; costs and availability of food and beverage inventory; our ability to attract qualified managers and team members; changes in the availability of capital or credit facility borrowings; costs and other effects of legal claims by team members, franchisees, customers, vendors, stockholders and others, including settlement of those claims; effectiveness of management strategies and decisions; weather conditions and related events in regions where our restaurants are operated; and changes in accounting standards policies and practices or related interpretations by auditors or regulatory entities.

All forward-looking statements speak only as of the date made. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances.

ITEM 1A. Risk Factors

An investment in our common stock involves a high degree of risk. You should carefully read and consider the risks described below before making an investment decision. The occurrence of any of the following risks could materially harm our business, financial condition, results of operations, or cash flows. The trading price or value of our common stock could decline, and you could lose all or part of your investment. When making an investment decision with respect to our common stock, you should also refer to the other information contained or incorporated by reference in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes.

Risks Related to Our Business

Our "Project RED" initiatives may not be successful or achieve the desired results, if at all, in a timely fashion.

In 2011, we began implementing a series of strategic initiatives known as "Project Red". These strategic initiatives are designed to both improve the Company's results in the short term and create sustainable growth in the long term. These initiatives focus on many segments of the Company's business, including, among other things, revenue generation, expense management and deployment of capital. There is no assurance that these initiatives and the projects undertaken to accomplish such initiatives will be successful, or that the Company has, or will have sufficient resources to successfully implement, sustain results from, or achieve any of the expected benefits of "Project RED".

Table of Contents

We are dependent on information technology, which may be inadequate to support our future growth strategies, and any material failure in the operations or upgrade of such technology could impair our ability to efficiently operate our business.

We rely on information systems in all aspects of our operations, including (but not limited to) point-of-sale transaction processing in our restaurants; operation of our restaurant kitchens; management of our inventories; collection of cash; payment of payroll and other obligations; and various other processes and procedures. Our ability to efficiently manage our business depends significantly on the reliability and capacity of our in-house information systems and those technology services and systems for which we contract for from third parties.

We have recently committed to a significant capital investment to upgrade and expand such systems and services. If the upgrade and expansion of such systems and services are unsuccessful or otherwise do not accomplish our intended goals, our operations could be significantly impacted, which could result in, among other things, dissatisfaction among our customers, and inadequate levels of inventory. We may experience some material interruptions in connection with the upgrade of our systems and services and the stabilization thereof. Despite the significant capital investment to upgrade the systems and service identified above, these new systems and services will continue over time to evolve and require upgrading over time, consequently requiring significant commitments of resources and capital to maintain and upgrade.

While we have invested and continue to invest in technology security initiatives and disaster recovery programs, these measures cannot fully insulate us from technology disruption that could result in adverse effects on operations and profits. Significant capital investment might be required to remediate any problems, infringements, misappropriations or other third party claims.

Our new marketing and branding strategies may not be successful, which could adversely impact our business.

Over the past year we have been refocusing our marketing and branding strategy. As part of this initiative, we intend to continue using a national cable television advertising campaign to promote new products offered on a limited time basis. In addition, we have introduced a unique loyalty program, "Red Royalty", and throughout 2011 and beyond, we intend to focus on targeting adult guests and improving alcohol beverage sales. We do not have any assurance that our latest marketing strategies will be successful. If new advertising, modified branding and other marketing programs do not drive increased restaurant sales, the expense associated with these programs will adversely impact our financial results, and we may not generate the levels of comparable restaurant sales we expect. Moreover, many of our competitors have successfully used national marketing strategies, including network and cable television advertising in the past, and we may not be able to successfully compete against those established programs.

Uncertainty regarding the economic recovery may negatively affect consumer spending and have adversely impacted our revenues and our results of operations and may continue to do so in the future.

Current uncertainty regarding economic conditions and the existence and rate of any economic recovery may have an adverse effect on the businesses, results of operations and financial condition of the Company and its customers, distributors and suppliers. These conditions include continued unemployment, weakness and lack of consistent improvement in the housing markets; downtrend or delays in residential or commercial real estate development; volatility in financial markets; inflationary pressures and reduced consumer confidence. As a result, our customers may continue to remain apprehensive about the economy and maintain or further reduce their already lowered level of discretionary spending. This could impact the frequency with which our customers choose to dine out or the amount they spend on meals while dining out, thereby decreasing our revenues and potentially negatively affecting our operating results. We believe there is a risk that prolonged negative economic

Table of Contents

conditions might cause consumers to make long-lasting changes to their discretionary spending behavior, including dining out less frequently on a more permanent basis, which would have an adverse effect on our business. Moreover, our restaurants are primarily located near high activity areas such as regional malls, lifestyle centers, big box shopping centers, and entertainment centers. We depend on a high volume of visitors at these centers to attract guests to our restaurants. A decline in development or closures of businesses in these existing centers or a decline in visitors to the centers near our restaurants or in discretionary consumer spending could negatively affect our restaurant sales.

Our revenues and operating results may fluctuate significantly due to various risks and unexpected circumstances, increases in costs, seasonality, weather, and other factors outside our control.

We are subject to a number of significant risks that might cause our actual quarterly and annual results to fluctuate significantly or be impacted negatively. These risks include but are not limited to: extended periods of inclement weather which may affect guest visits as well as limit the availability and cost of key commodities such as beef, poultry, potatoes and other items that are important ingredients in our products or material disruptions in our supply chain; changes in borrowings and interest rates; changes to accounting methods or philosophies; impairment of long-lived assets, including goodwill, and losses on restaurant closures; unanticipated expenses from natural disasters and repairs to damaged or lost property.

Moreover, our business is also subject to seasonal fluctuations. Historically, sales in most of our restaurants have been higher during the summer months and winter holiday season. As a result, our quarterly and annual operating results and comparable restaurant sales may fluctuate significantly as a result of seasonality and the factors discussed above. Accordingly, results for any one quarter or year are not necessarily indicative of results to be expected for any other quarter or for any year, and comparable restaurant sales for any particular future period may decrease.

Decreased cash flow from operations, or an inability to access our revolving credit agreement could adversely impact our business initiatives or may result in our inability to execute our revenue, expense and capital deployment strategies.

Our ability to fund our operating plans and to implement our capital deployment strategies depends on sufficient cash flow from operations or other financing, including using funding under our revolving credit agreement. Our strategies include but are not limited to repurchases of our stock, paying down debt, new restaurant development, investment in advertising, and franchise expansion. If we experience decreased cash flow from operations, our ability to fund our operations and planned initiatives, and to take advantage of growth opportunities, may be delayed or adversely affected. In addition, these disruptions or a negative impact on our revenues could adversely affect our ability to access or comply with our covenants under our credit facility. Moreover, any repurchase by us of our shares of common stock will further reduce cash available for operations and future growth.

If we do not successfully manage the transitions associated with our new CEO, it could have an adverse impact on our revenues, operations, or results of operations.

On September 13, 2010, we announced the appointment of our new CEO, Stephen E. Carley. Our success will be dependent upon his ability to gain proficiency in leading our Company, his ability to implement or adapt our corporate strategies and initiatives, and his ability to develop key professional relationships, including relationships with our team members, guests, franchisees and other key constituencies and business partners. Our new CEO could make organizational changes, including changes to our management team and may make future changes to our Company's structure. It is important for us to manage successfully these transitions as our failure to do so could adversely affect our ability to compete effectively.

Table of Contents

The Company faces various risks associated with shareholder activists.

Several activist shareholders have publicly advocated for certain changes at the Company. Such activist shareholders or potential shareholders may attempt to gain additional representation on or control of our board of directors, the possibility of which may create uncertainty regarding the direction of our business. Perceived uncertainties as to our future direction may make it more difficult to attract and retain qualified personnel and business partners.

A potential proxy contest would be disruptive to our operations and cause us to incur substantial costs. The SEC has recently proposed to give shareholders the ability to include their director nominees and their proposals relating to a shareholder nomination process in Company proxy materials, which would make it easier for activists to nominate directors to our board of directors. If the SEC implements its proxy access proposal, we may face an increase in the number of shareholder nominees for election to our board of directors. Future proxy contests and the presence of additional activist shareholder nominees on our board of directors could interfere with our ability to execute our strategic plan, be costly and time-consuming, disrupt our operations and divert the attention of management and our employees.

Our ability to utilize or refinance our credit facility and our ability to raise capital in the future may be limited, which could adversely impact our business.

Changes in our operating plans and strategic initiatives, lower than anticipated sales, increased expenses, or other events, including those described in this section, may cause us to seek additional debt financing on an accelerated basis. Our current credit agreement contains a number of restrictive covenants that limit our ability to, among other things, engage in mergers, acquisitions, joint ventures, and sale-leaseback transactions, and to sell assets, incur indebtedness, make investments, create liens, and pay dividends. Our credit agreement also requires us to comply with specified financial ratios and tests and to reduce the principal outstanding balance on our term loan on a quarterly basis with full repayment of the credit facility on June 15, 2012. These restrictions could affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. In addition, the ability of our lenders to honor their commitments under the credit facility may be diminished during the economic recovery.

We may be unable to refinance our current credit agreement or to refinance it on favorable terms.

Our current credit agreement matures on June 15, 2012. While we have been exploring a variety of alternatives to take advantage of the current low interest rate environment, we may be unable to obtain financing in a timely manner, if at all, or to obtain the amount we need or on terms equivalent to or better than our current terms. Such financing, if available, may involve significant cash payment obligations and covenants and/or financial ratios that restrict our ability to operate our business or implement future plans. If we are unable to refinance our credit facility, we may not have sufficient cash or resources to fund our operations or to take advantage of other business opportunities that may arise.

Our success depends on our ability to compete effectively in the restaurant industry.

Competition in the restaurant industry is increasingly intense. Our competitors include a large and diverse group of restaurant chains and individual restaurants that range from independent local operators that have opened restaurants in various markets from high growth targeted concepts in the quick serve and fast casual space to the well-capitalized national restaurant companies. Many of these concepts are expanding faster than us and are penetrating both geographic and demographic markets that we target as well. Moreover, many of these concepts compete with us for locations, often with smaller building units, which may allow for greater flexibility in site selection and market penetration. We also compete with other restaurants and with retail establishments for real estate. Many of our

Table of Contents

competitors are well established in the casual dining market segment and some of our competitors have substantially greater financial, marketing, and other resources than we have. Accordingly, they may be better equipped than us to increase marketing or to take other measures to maintain their competitive position, including the use of significant discount offers to attract guests.

Changes in consumer preferences could negatively impact our results of operations.

The restaurant industry is characterized by the continual introduction of new concepts and is subject to rapidly changing consumer preferences, tastes and eating and purchasing habits. Our restaurants compete on the basis of a varied menu and feature burgers, salads, soups, appetizers, other entrees, such as fajitas and pasta, desserts, and our signature alcoholic and non-alcoholic beverages in a family-friendly atmosphere. One of our strategies moving forward is to shift to a balance between family-friendly and adult-focused guest experiences, referencing our historical legacy. There is no assurance that this balanced focus will be successful or that it will not negatively impact our family guest experience. Moreover, our continued success depends, in part, upon the continued popularity of these foods and this style of casual dining. Shifts in consumer preferences away from this cuisine or dining style could have a material adverse effect on our future profitability. In addition, competitors' use of significant advertising and food discounting could influence our guests' dining choices

Further, changing health or dietary preferences may cause consumers to avoid our products in favor of alternative foods. The food service industry as a whole rests on consumer preferences and demographic trends at the local, regional, national and international levels, and the impact on consumer eating habits of new information regarding diet, nutrition and health. Changes in nutritional guidelines issued by the federal government agencies, issuance of similar guidelines or statistical information by other federal, state or local municipalities, or academic studies, among other things, may impact consumer choice and cause consumers to select foods other than those that are offered by our restaurants.

Price increases may negatively impact guest visits.

We are expecting to take about a 1.5% price increase in April 2011 in order to offset increased operating expenses. While we have not experienced significant consumer resistance to our price increases in 2008 and prior periods, we cannot provide assurance that the planned 2011 price increase and any future price increases will not deter guests from visiting our restaurants, reduce the frequency of their visits, or affect their purchasing decisions.

Approximately 48% of our Company-owned restaurants are located in the Western United States and, as a result, we are sensitive to economic and other trends and developments in this region.

As of December 26, 2010, a total of 149 or 47.5% of all Company-owned restaurants, representing 55.1% of restaurant revenue, were located in the western United States (i.e., Arizona, California, Colorado, Nevada, Oregon, Idaho and Washington). As a result, we are particularly susceptible to adverse trends and economic conditions in this region, including its labor market. In recent years, California, Arizona and Nevada have been more negatively impacted by the housing downturn and the overall economic recession than other geographic areas. As a result, we have seen a more substantial decline in guest traffic at our restaurants in the western United States, which has had a negative effect on our operations as a whole. In addition, given our geographic concentration, negative publicity regarding any of our restaurants in the western United States could have a material adverse effect on our business and operations, as could other regional occurrences such as local strikes, energy shortages, or increases in energy prices, droughts, earthquakes, fires, or other natural disasters.

A shift to a lower emphasis on expanding our restaurant base as a critical part of our long-term success may negatively affect our growth and results of operations.

We have in the recent past considered the expansion of our restaurant base as a critical part of our long-term success. Although we continue to have confidence in development of new restaurants, due to a number of factors including better performance and reduced unit cost, we are limiting our new Company-owned restaurant growth for at least the next two years while we explore improvements to our unit design and other opportunities and review ways to maximize capital deployment. Consequently, we may miss opportunities to obtain optimum building sites or locations for our restaurants. Further, because we may devote restaurant development resources to other Company projects, we may be further delayed in ramping up development at an opportune time, which may negatively affect our ability to grow and support operations.

Our ability and the ability of our franchisees to open and profitably operate new restaurants is subject to factors beyond our control.

Our ability and the ability of our franchisees to timely and efficiently open new restaurants and to operate these restaurants on a profitable basis will depend upon numerous factors, many of which are beyond our control, including the following:

- continued unstable, negative macroeconomic factors nationally and regionally that impact restaurant-level performance and influence our decisions on the rate of expansion, timing, and the number of restaurants to be opened;

- ident