Landry’s has grown significantly in recent years, with its balance sheets in Exhibit 13.2

showing a 35 percent increase in total assets from $690 million in 2001 to $933 million in

2002 [35% = ($933 - 690) divide $690 X 100%]. In 2003, total assets increased again, from

$933 million in 2002 to $1.1 billion in 2003. Most of this growth appears in the *Property*

*and Equipment* category. The financial highlights section of Landry’s annual report explains

the cause of this growth. The company added 95 new restaurants during 2002 and

2003, bringing the number of restaurants to 286 at December 31, 2003. The liabilities and

stockholders’ equity section of the balance sheets in Exhibit 13.2 suggest that the growth

**LANDRY’S RESTAURANTS, INC.**

**Balance Sheets**

**(in thousands)**

**Year Ended December 31**

**2003 2002 2001**

**Assets**

Current Assets

Cash $ 35,211 $13,878 $ 31,081

Accounts Receivable 23,272 19,910 13,519

Inventories 47,772 40,879 33,563

Other Current Assets 14,349 18,002 15,958

Total Current Assets 120,604 92,669 94,121

Property and Equipment 965,575 830,930 587,829

Goodwill and Other Assets 16,606 9,416 8,221

Total Assets $1,102,785 $933,015 $690,171

**Liabilities and Stockholders’ Equity**

Current Liabilities $ 159,581 $148,354 $100,137

Long-Term Liabilities 338,654 217,586 196,364

Total Liabilities 498,235 365,940 296,501

Stockholders’ Equity 604,550 567,075 393,670

Total Liabilities and Stockholders’ Equity$1,102,785 $933,015 $690,171

in these assets has been financed by both debt (total liabilities are up from $297 million in

2001 to $498 million in 2003) and equity (stockholders’ equity is up from $394 million in

2001 to $605 million in 2003).

The income statements in Exhibit 13.3 show that this growth has significantly increased

revenues, expenses, and net income in 2003 as compared to 2002 and 2001. The

statements of cash flows in Exhibit 13.4 indicate that this growth also has produced increased

cash flow from operating activities. The short story, based on these trend analyses,

is that the company has been expanding its asset base, using financing provided by creditors

and stockholders, who are being rewarded with increases in profits and operating cash flows.

**Ratio Analyses Using Landry’s Financial Statements**

Our ratio analyses are split into three general categories of performance:

**1. Profitability**, which relates to performance in the *current period.* In particular, the focus

is on the company’s ability to generate income during the period.

**2. Liquidity**, which relates to the company’s *short-term* survival. In particular, the focus

is on the company’s ability to use current assets to repay liabilities as they become

due in the short-term.

**3. Solvency**, which relates to the company’s *long-run* survival. In particular, the focus is

on the company’s ability to repay lenders when debt matures (and to make required

interest payments prior to the date of maturity).

Exhibit 13.5 summarizes and groups the ratios from earlier chapters in terms of these

three categories. The following analyses, focused on the restaurant industry, show how

these ratios can be used to interpret and evaluate a company’s financial performance.

**LANDRY’S RESTAURANTS, INC.**

**Income Statements**

**(in thousands)**

**Year Ended December 31**

**2003 2002 2001**

Revenues $1,105,755 $894,795 $746,642

Cost of Revenues 321,783 257,945 219,684

Gross Profit 783,972 636,850 526,958

Operating and Other Expenses 717,018 571,676 478,540

Interest Expense 9,561 4,997 9,402

Income Tax Expense 11,492 18,655 12,096

Net Income $ 45,901 $ 41,522 $ 26,920

Earnings per Share $1.66 $1.60 $1.24

**LANDRY’S RESTAURANTS, INC.**

**Statements of Cash Flows**

**(in thousands)**

**Year Ended December 31**

**2003 2002 2001**

**Cash Flows from Operating Activities**

Net income $ 45,901 $ 41,522 $ 26,920

Adjustments to reconcile to cash flows from operations 75,629 70,116 62,051

Net cash provided by operating activities 121,530 111,638 88,971

**Cash Flows from Investing Activities**

Net cash paid for property and equipment (162,895) (113,806) (72,713)

Cash paid for business acquisitions (27,036) (161,108) (32,581)

Net cash used in investing activities (189,931) (274,914) (105,294)

**Cash Flows from Financing Activities**

Net cash from issuing (repurchasing) common stock (6,591) 132,978 3,472

Amounts borrowed (paid) for other financing activities 96,325 13,095 17,772

Net cash provided by financing activities 89,734 146,073 21,244

Net increase in cash 21,333 (17,203) 4,921

Cash at beginning of year 13,878 31,081 26,160

Cash at end of year $ 35,211 $ 13,878 $ 31,081

**Supplemental Disclosure of Cash Flows**

Cash paid during the period for interest $ 8,675 $ 5,567 $ 10,231

Cash paid during the period for income taxes $ 5,699 $ 8,689 $ 0