

RED ROBIN GOURMET BURGERS INC
Form DEF 14A
April 10, 2019

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

RED ROBIN GOURMET BURGERS, INC.

(Name of the Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

Edgar Filing: RED ROBIN GOURMET BURGERS INC - Form DEF 14A

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

RED ROBIN GOURMET BURGERS, INC.

6312 South Fiddler's Green Circle, Suite 200N
Greenwood Village, CO 80111
(303) 846-6000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 30, 2019

To our Stockholders:

The annual meeting of stockholders of Red Robin Gourmet Burgers, Inc. will be held at 8:00 a.m. MDT, on Thursday, May 30, 2019, at Red Robin's Yummm U, located at 10000 East Geddes Avenue, Unit 500, Englewood, Colorado 80112, for the following purposes:

- 1) To elect Cambria W. Dunaway, Kalen F. Holmes, Glenn B. Kaufman, Aylwin B. Lewis, Steven K. Lumpkin, Pattye L. Moore, and Stuart I. Oran as directors of the Company for one-year terms;
- 2) To approve, on an advisory basis, the compensation of our named executive officers;
- 3) To approve an amendment of the Company's 2017 Performance Incentive Plan, which would increase the number of authorized shares available for issuance under the 2017 Performance Incentive Plan and enhance certain minimum vesting requirements applicable to certain awards thereunder;
- 4) To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 29, 2019; and
- 5) To transact such other business as may properly come before the meeting.

We direct your attention to the proxy statement, which includes information about the matters to be considered at the annual meeting and certain other important information and which we encourage you to review carefully. Our board of directors recommends you vote **FOR** the board's nominees for director, **FOR** approval of our executive compensation, **FOR** approval of the amendment of the 2017 Performance Incentive Plan, and **FOR** ratification of the independent auditor. Your vote is important.

Stockholders of record at the close of business on April 1, 2019 are entitled to notice of, and to vote at, the annual meeting or any postponement or adjournment thereof. This Notice of Annual Meeting of Stockholders and related proxy materials are being distributed or made available to stockholders beginning on or about April 11, 2019.

This year, we have again elected to provide access to our proxy materials on the Internet under the U.S. Securities and Exchange Commission's "notice and access" rules. Our proxy materials are available at the following website:

<http://www.redrobin.com/eproxy>

We cordially invite you to attend the annual meeting. Whether or not you plan to attend, it is important that your shares be voted at the meeting. Please refer to your proxy card or Notice Regarding the Availability of Proxy Materials for more information on how to vote your shares at the meeting and return your voting instructions as promptly as possible.

Thank you for your support.

Edgar Filing: RED ROBIN GOURMET BURGERS INC - Form DEF 14A

By Order of the Board of Directors,

Patty L. Moore
Chair of the Board of Directors

Greenwood Village, Colorado

April 10, 2019

Table of Contents

TABLE OF CONTENTS

	Page
<u>PROXY STATEMENT SUMMARY</u>	<u>1</u>
<u>PROXY STATEMENT</u>	<u>7</u>
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	<u>7</u>
<u>Directors and Nominees</u>	<u>8</u>
<u>Vote Required</u>	<u>11</u>
<u>Board Recommendation</u>	<u>11</u>
<u>CORPORATE GOVERNANCE AND BOARD MATTERS</u>	<u>12</u>
<u>Governance Principles</u>	<u>12</u>
<u>Board Leadership Structure</u>	<u>13</u>
<u>Role in Risk Oversight</u>	<u>14</u>
<u>Board Membership and Director Independence</u>	<u>14</u>
<u>Director Attendance</u>	<u>15</u>
<u>Committees of the Board of Directors</u>	<u>15</u>
<u>Limits on Outside Board Service</u>	<u>17</u>
<u>Stockholder Submission of Director Nominees</u>	<u>18</u>
<u>Communications with our Board of Directors</u>	<u>18</u>
<u>Certain Relationships and Related Transactions</u>	<u>18</u>
<u>Compensation Committee Interlocks and Insider Participation</u>	<u>19</u>
<u>Director Compensation</u>	<u>20</u>
<u>2018 Director Compensation</u>	<u>21</u>
<u>Director Stock Ownership Guidelines</u>	<u>22</u>
<u>Indemnification of Directors</u>	<u>22</u>
<u>STOCK OWNERSHIP INFORMATION</u>	<u>23</u>
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	<u>27</u>
<u>2018 EXECUTIVE SUMMARY</u>	<u>29</u>
<u>Executive Compensation Decision-Making</u>	<u>32</u>
<u>Key Components of our Executive Compensation Program</u>	<u>35</u>
<u>Summary of 2018 Compensation Activity</u>	<u>38</u>
<u>2019 Compensation Program</u>	<u>41</u>
<u>Deductibility of Executive Compensation</u>	<u>41</u>
<u>Executive Compensation Policies and Guidelines</u>	<u>42</u>
<u>Compensation Committee Report</u>	<u>43</u>
<u>2018 Executive Compensation Tables</u>	<u>44</u>
<u>Employment Agreements and Change in Control Plan</u>	<u>51</u>
<u>Potential Payments upon Termination or Change in Control</u>	<u>55</u>
<u>CEO Pay Ratio</u>	<u>59</u>
<u>PROPOSAL 2 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	<u>61</u>
<u>Advisory Vote</u>	<u>62</u>
<u>Vote Required</u>	<u>62</u>
<u>Board Recommendation</u>	<u>62</u>
<u>PROPOSAL 3 APPROVAL OF AMENDMENT TO THE 2017 PERFORMANCE INCENTIVE PLAN</u>	<u>63</u>
<u>Vote Required</u>	<u>70</u>
<u>Board Recommendation</u>	<u>70</u>

PROPOSAL 4 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING

FIRM

Evaluation of Auditor

Vote Required

Board Recommendation

71

71

72

72

Table of Contents

	Page
<u>AUDIT COMMITTEE REPORT</u>	<u>73</u>
<u>VOTING PROCEDURES</u>	<u>74</u>
<u>ADDITIONAL INFORMATION</u>	<u>77</u>
<u>ANNUAL REPORT ON FORM 10-K</u>	<u>78</u>
<u>APPENDIX A RED ROBIN GOURMET BURGERS, INC. 2017 PERFORMANCE INCENTIVE PLAN (as Amended)</u>	<u>A-1</u>

Table of Contents

PROXY STATEMENT SUMMARY

This summary is intended to provide an overview of the items you will find elsewhere in this proxy statement about our Company and the upcoming 2019 annual meeting of stockholders. As this is only a summary, we encourage you to read the entire proxy statement for more information about these topics before voting.

ANNUAL MEETING OF STOCKHOLDERS

Time and Date: 8:00 a.m. MDT on Thursday, May 30, 2019
Location: Red Robin Gourmet Burgers, Inc. Yummm U
 10000 East Geddes Avenue, Unit 500
 Englewood, Colorado 80112
Record Date: April 1, 2019

PROPOSALS AND BOARD VOTING RECOMMENDATIONS

	Proposal	Board's Voting Recommendation	Page References (for more detail)
1	Election of Directors	FOR EACH NOMINEE	7
2	Advisory Vote to Approve Executive Compensation	FOR	61
3	Amendment of the 2017 Performance Incentive Plan	FOR	63
4	Ratification of Independent Auditor	FOR	71

Table of Contents**DIRECTOR NOMINEES (PROPOSAL NO. 1)**

Our director nominees are listed in the table below. In 2019, all seven of our current directors are standing for re-election. Ms. Denny Marie Post, our former President and Chief Executive Officer, and former director, resigned from the board effective as of April 3, 2019 and is therefore not standing for re-election.

Director Nominee	Age	Director Since	Principal Occupation	Independent	Committee Assignments
Cambria W. Dunaway	56	2014	Chief Marketing Officer, Duolingo	X	*NGC, CC
Kalen F. Holmes	52	2016	Former Executive Vice President (Human Resources), Starbucks	X	*CC, NGC
Glenn B. Kaufman	51	2010	Managing Member, D Cubed Group investment firm	X	CC, NGC
Aylwin B. Lewis	64	2018	Former Chairman, CEO and President of Potbelly Corporation	X	AC, CC
Steven K. Lumpkin	64	2016	Consultant, Former Executive Vice President, CFO and director, Applebee's	X	*AC
Patty L. Moore	61	2007	Former President and Director, Sonic Corp. Interim President and Chief Executive Officer, Red Robin		(C)
Stuart I. Oran	68	2010	Partner, Liberty Hall Capital Partners private equity firm	X	AC, NGC

AC Audit Committee (C) Denotes Chair of the Board

CC Compensation Committee * Denotes Chair of the Committee

NGC Nominating and Governance Committee

Table of Contents

**Director Nominee Highlights:
Independence, Diversity of Background, Expertise, and Skills**

All current directors and director nominees except our interim CEO, Ms. Moore, are independent. Therefore, independent directors currently represent 85.7% of our board.

Our board is committed to diversity and includes three women directors, one minority director, and directors with a diverse set of backgrounds, experience, and skills, including those represented below. In addition, each director attended at least 75% of the aggregate number of board and applicable committee meetings in 2018.

Table of Contents

The board recommends a vote FOR all director nominees. Directors are elected by a majority of votes cast. See "Proposal 1 Election of Directors Directors and Nominees" in this proxy statement for more information about our director nominees.

Key Corporate Governance Highlights

The board of directors recognizes the connection between good corporate governance and the creation of sustainable stockholder value and is committed to practices that promote the long-term interests of the Company, accountability of management, and stockholder trust. To this end, we continually evolve our practices to ensure alignment with our stockholders and emerging practices.

Highlights include:

Declassified board of directors

Independent chair of the board of directors

All directors are independent other than our interim CEO

All current committee members are independent

Board members have diverse backgrounds, expertise, and skills

Robust board, committee, and director self-evaluation process completed annually instead of age or term limits

The board of directors and each committee regularly meet in executive session without members of management

Frequent engagement by management with institutional investors

Majority voting standard for uncontested director elections

Annual review of our succession plan and talent development plan

Directors receive regular governance updates to stay well-informed and evaluate governance trends

Limits on outside board service for board members

Formal policy prohibiting hedging and pledging of Company securities by executive officers and directors

Directors regularly engage in in-boardroom and outside director education

No poison pill in place

ADVISORY VOTE ON EXECUTIVE COMPENSATION (PROPOSAL NO. 2)

We are requesting stockholders approve, on an advisory basis, the compensation of our named executive officers as disclosed in this proxy statement. The board recommends a vote FOR Proposal No. 2 because it believes the Company's executive compensation program links incentives and rewards for our executives to the achievement of specific and sustainable financial and strategic goals, which are expected to result in increased stockholder value. In 2018, our executive compensation advisory vote proposal was supported by approximately 99.3% of the votes cast. Highlights of our executive compensation program and pay for performance compensation structure, including 2018 performance and 2018 compensation, are set forth below. Please see "Compensation Discussion and Analysis" in this proxy statement for a full discussion of the items below.

Table of Contents

Executive Compensation Program

Listed below are highlights of our executive compensation program that reflect our focus on strong corporate governance and prudent compensation decision-making:

Pay for performance focused executive compensation structure, with a significant portion of executive pay "at-risk"

Independent compensation committee reviews and approves executive compensation structure and performance goals

The compensation committee engages an independent compensation consultant

Annual evaluation of potential risks of our executive compensation program

No excise tax gross ups

Double trigger required for cash severance and equity vesting upon a change in control (other than certain performance awards)

No repricing of underwater options without stockholder approval

Meaningful stock ownership guidelines for executives and board members

Formal policy prohibiting hedging and pledging of Company securities by executive officers and directors

Clawback policy for the return of certain cash and equity executive incentive compensation in the event of a financial restatement

Limited number of perquisites offered to our executives

Pay for Performance

Our compensation program is designed to pay our executives for performance, with 80% and 67% of compensation made up of short-term and long-term incentives that are "at-risk" for our CEO and other named executive officers, respectively. In 2018, our short-term annual cash incentive program used performance targets based on annual EBITDA (earnings before interest, taxes, depreciation, and amortization) goals, with an off-premise sales modifier, which could have increased the EBITDA-earned payout if off-premise sales had exceeded target level.

Our long-term incentive compensation program is based on the achievement of financial goals over multi-year periods that drive long term value creation and support retention. For the period from 2016 through 2018, the long-term incentive compensation program included performance-based cash awards measured over a three-year performance period based on three-year cumulative EBITDA and ROIC (return on invested capital) metrics. The long-term incentive compensation program also included restricted stock units and options that each vest ratably in annual increments over four years, with the amount realizable from such awards being dependent, in whole or in part, on increased stock price. Beginning in 2018, the performance-based portion of our long-term incentive program shifted to grants of equity (in the form of performance share units), instead of cash, to further align all of our executives.

2018 Performance Highlights

Overall, 2018 was a challenging sales year, but we made measurable progress on the operations fundamentals identified as critical to gradually regaining our momentum in 2019. We continue to focus on the fundamentals to deliver sustainable performance and return to positive sales and traffic. We are focused on strengthening operations, upgrading our marketing tactics, and making critical investments in technology and resources to help achieve our long-term goal of being both a destination and a source for gourmet burgers.

Table of Contents

Certain key metrics of our 2018 performance are set forth below.

GAAP loss per diluted share was \$0.49 in 2018 compared to earnings per diluted share of \$2.31 in 2017.

Total revenues were \$1.3 billion, a decrease of 3.5% from the 53 weeks ended December 31, 2017, including the negative impact of \$24.3 million from having one fewer week in 2018 compared to 2017.

Off-premise sales increased 31.5% in 2018, now comprising 9.9% of total food and beverage sales.

Comparable restaurant revenue decreased 2.6% in 2018 (using constant currency rates) compared to 2017.

Comparable restaurant guest counts decreased 1.5%.

2018 Pay for Performance

Based on our 2018 performance, our named executive officers did not meet the performance goals necessary to achieve any payout of the annual incentive program. In addition, our performance did not meet the performance goals for payout of the performance-based portion of the 2016-2018 long-term incentive program. Therefore, no incentive compensation was paid out to our named executive officers for the performance periods ending in 2018.

See "Compensation Discussion and Analysis Key Components of our Executive Compensation Program Incentive-Based Compensation" for further information and discussion on the annual corporate incentive and long-term incentive program.

See "Compensation Discussion and Analysis 2018 Executive Compensation Tables" and accompanying footnotes and narratives for information about the 2018 compensation for each named executive officer.

AMENDMENT OF THE 2017 PERFORMANCE INCENTIVE PLAN (PROPOSAL NO. 3)

The board of directors recommends a vote FOR approval of the amendment of the 2017 Performance Incentive Plan to increase shares authorized under the plan by 660,000 shares. We believe that an increase in the number of shares available for future grants is necessary as part of our ongoing commitment to align the interests of our employees (including executive officers) with those of our stockholders. We believe that incentives and stock-based awards focus employees on the objective of creating stockholder value and promoting the success of the Company. Moreover, approval of the Amendment to the 2017 Plan is central to the compensation committee's shift of executive officer compensation to include more equity and less cash. In addition, the amendment would enhance minimum vesting requirements for certain awards thereunder.

See "Proposal 3 Approval of Amendment to the 2017 Performance Incentive Plan" in this proxy statement for more information about this proposal.

INDEPENDENT AUDITORS (PROPOSAL NO. 4)

The board of directors recommends a vote FOR the ratification of the appointment of KPMG LLP ("KPMG") as the Company's independent auditor for the fiscal year ending December 29, 2019. The audit committee of the board believes the continued retention of KPMG is in the best interests of the Company and our stockholders based upon several factors.

See "Proposal 4 Ratification of Appointment of Independent Registered Public Accounting Firm" in this proxy statement for more information about this proposal.

Table of Contents

PROXY STATEMENT

The Board of Directors ("board" or "board of directors") of Red Robin Gourmet Burgers, Inc. ("Red Robin" or the "Company") is providing this proxy statement to stockholders in connection with the solicitation of proxies on its behalf to be voted at the annual meeting of stockholders. The meeting will be held on Thursday, May 30, 2019, beginning at 8:00 a.m. MDT, at Red Robin's Yummm U, located at 10000 East Geddes Avenue, Unit 500, Englewood, Colorado 80112. The proxies may be voted at any time and date to which the annual meeting may be properly adjourned or postponed.

**PROPOSAL 1
ELECTION OF DIRECTORS**

General

On April 3, 2019, Ms. Post notified the board of her retirement as President and Chief Executive Officer of the Company and her resignation from the board, in each case effective as of April 3, 2019. Effective the same date, Pattye L. Moore, the current chair of our board, was appointed as our Interim President and Chief Executive Officer.

The board reduced its size from eight to seven members effective as of April 3, 2019. Of our seven current directors, six (or 85.7%) are independent. However, it is anticipated that Ms. Post's successor as CEO, once appointed, will also serve as a director of the Company and therefore will not be an independent director. In addition to Ms. Post's successor, the board may decide at a later time to add one or more directors who possess skills and experience that may be beneficial to our board and the Company. All of our directors are elected on an annual basis for a one-year term.

The directors elected at this annual meeting will serve in office until our 2020 annual meeting of stockholders or until their successors have been duly elected and qualified, or until the earlier of their respective deaths, resignations, or retirements. Each nominee has consented to serve if elected and we expect each of them will be able to serve if elected. If any nominee should become unavailable to serve as a director, our board of directors can name a substitute nominee, and the persons named as proxies in the proxy card, or their nominees or substitutes, will vote your shares for such substitute nominee unless an instruction to the contrary is written on your proxy card.

Selecting Nominees for Director

Our board has delegated to the nominating and governance committee the responsibility for reviewing and recommending nominees for director. The board determines which candidates to nominate or appoint, as appropriate, after considering the recommendation of the committee.

In evaluating a director candidate, the nominating and governance committee considers the candidate's independence, character, corporate governance skills and abilities, business experience, industry specific experience, training and education, commitment to performing the duties of a director, and other skills, abilities, or attributes that fill specific needs of the board or its committees. While there is no policy for consideration of diversity in identifying director nominees, our board is committed to diversity and the nominating and governance committee considers diversity in business experience, professional expertise, gender, and ethnic background, along with various other factors when evaluating director nominees. The nominating and governance committee will use the same criteria in evaluating candidates suggested by stockholders.

Table of Contents

The nominating and governance committee is authorized under its charter to retain, at our expense, outside search firms and any other professional advisors it deems appropriate to assist in identifying or evaluating potential nominees for director.

Directors and Nominees

Below, you can find the principal occupation and other information about each of the director nominees standing for election at the annual meeting. Information related to each director nominee's key attributes, experience, and skills, as well as their recent public company board service is included with each director's biographical information.

Cambria W. Dunaway, 56

Director Since: June 2014

Current Committees:

Nominating and Governance (Chair)
Compensation

Other Public Company Board Service:
Planet Fitness Inc. (2017-present)

Other Board Service:
Go Health (2017-present)

Recent Past Public Company Board Service:

Nordstrom FSB (2014-2017)
Marketo (2015-2016)
Brunswick Corporation (2006-2014)

Ms. Dunaway serves as Chief Marketing Officer of Duolingo, a popular language learning platform. She previously served as the U.S. President and Global Chief Marketing Officer of KidZania, an international location-based entertainment concept focused on children's role-playing activities, from October 2010 to December 2014 and remains as an advisor to the company on an on-going basis. From October 2007 to October 2010, Ms. Dunaway served as Executive Vice President for Nintendo, with oversight of all sales and marketing activities for the company in the United States, Canada, and Latin America. Before joining Nintendo, Ms. Dunaway was Chief Marketing Officer for Yahoo! from June 2003 to November 2007. Prior to joining Yahoo!, Ms. Dunaway was at Frito-Lay for 13 years in various leadership roles in sales and marketing, including serving as the company's Chief Customer Officer and as Vice President of Kids and Teens brands. Ms. Dunaway holds a Bachelor of Science degree in business administration from the University of Richmond and an M.B.A. from Harvard Business School.

Ms. Dunaway brings to the board of directors, among her other skills and qualifications, more than 20 years of experience as a senior marketing and general management executive, launching and growing consumer businesses in entertainment, media, consumer electronics, and package goods. She brings experience in the areas of marketing strategy, communications, data analytics, loyalty, digital transformation, and governance. Based on the foregoing, our board of directors has concluded Ms. Dunaway should continue as a member our board.

Kalen F. Holmes, 52

Director Since: August 2016

Current Committees:

Compensation (Chair)
Nominating and Governance