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

FORM 10-Q

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

For the quarterly period ended March 29, 2020

OR

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

Commission File No. 001-35603

CHUY'S HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation
or Organization)

20-5717694
(I.R.S. Employer
Identification No.)

1623 TOOMEY ROAD
AUSTIN, TEXAS
(Address of Principal Executive Offices)

78704
(Zip Code)

Registrant's Telephone Number, Including Area Code: (512) 473-2783

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	CHUY	Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>	Emerging growth company	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares of the registrant's common stock outstanding at May 8, 2020 was 16,643,361.

Table of Contents

Part I – Financial Information	4
Item 1. Financial Statements	4
Condensed Consolidated Balance Sheets	4
Unaudited Condensed Consolidated Income Statements	5
Unaudited Condensed Consolidated Statements of Stockholders' Equity	6
Unaudited Condensed Consolidated Statements of Cash Flows	7
Notes to Unaudited Condensed Consolidated Financial Statements	8
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3. Quantitative and Qualitative Disclosures about Market Risk	24
Item 4. Controls and Procedures	24
Part II – Other Information	24
Item 1. Legal Proceedings	24
Item 1A. Risk Factors	24
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	26
Item 3. Defaults Upon Senior Securities	26
Item 4. Mine Safety Disclosures	26
Item 5. Other Information	26
Item 6. Exhibits	26

Explanatory Note

On May 8, 2020 (the "Original Due Date"), Chuy's Holdings, Inc. (the "Company") filed a Current Report on Form 8-K, and is filing this Quarterly Report on Form 10-Q (the "Quarterly Report"), in reliance on the Order of the Securities and Exchange Commission (the "SEC"), dated March 25, 2020, pursuant to Section 36 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") granting exemptions from the specified provisions of the Exchange Act and certain rules thereunder (the "Order").

The Company's operations have experienced disruptions due to the circumstances surrounding the COVID-19 pandemic including, but not limited to, suggested and mandated social distancing and shelter-in place orders. The COVID-19 related shelter-in-place orders and resulting office closures have severely limited access by our financial reporting and accounting staff to our facilities and our ability to finalize our quarterly review processes and procedures. In light of the impact of the factors described above, the Company was unable to compile and review certain information required in order to permit the Company to timely file its Quarterly Report by the Original Due Date.

Part I—Financial Information**Item 1. Financial Statements**

Chuy's Holdings, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)

	March 29, 2020	December 29, 2019
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 28,023	\$ 10,074
Accounts receivable	957	1,426
Lease incentives receivable	400	250
Income tax receivable	1,214	—
Inventories	1,519	1,657
Prepaid expenses and other current assets	4,109	3,376
Total current assets	36,222	16,783
Property and equipment, net	196,436	210,750
Operating lease assets	162,859	169,299
Deferred tax asset	7,168	2,601
Other assets and intangible assets, net	760	667
Tradenname	21,900	21,900
Goodwill	24,069	24,069
Total assets	\$ 449,414	\$ 446,069
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 6,196	\$ 4,253
Accrued liabilities	15,132	21,107
Operating lease liabilities	10,939	10,307
Income tax payable	—	532
Total current liabilities	32,267	36,199
Operating lease liabilities, less current portion	210,120	214,541
Other liabilities	631	393
Long-term debt	25,000	—
Total liabilities	268,018	251,133
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock, \$0.01 par value; 60,000,000 shares authorized; 16,640,190 shares issued and outstanding at March 29, 2020 and 16,636,464 shares issued and outstanding at December 29, 2019	166	166
Preferred stock, \$0.01 par value; 15,000,000 shares authorized and no shares issued or outstanding at March 29, 2020 and December 29, 2019	—	—
Paid-in capital	93,576	94,712
Retained earnings	87,654	100,058
Total stockholders' equity	181,396	194,936
Total liabilities and stockholders' equity	\$ 449,414	\$ 446,069

See notes to the Unaudited Condensed Consolidated Financial Statements

Chuy's Holdings, Inc.
Unaudited Condensed Consolidated Income Statements
(In thousands, except share and per share data)

	Thirteen Weeks Ended	
	March 29, 2020	March 31, 2019
Revenue	\$ 94,500	\$ 102,111
Costs and expenses:		
Cost of sales	24,562	25,715
Labor	33,580	36,699
Operating	14,585	14,559
Occupancy	7,986	7,982
General and administrative	5,720	6,167
Marketing	1,009	1,451
Restaurant pre-opening	860	718
Impairment and closed restaurant costs	18,773	372
Depreciation and amortization	5,289	5,077
Total costs and expenses	112,364	98,740
(Loss) income from operations	(17,864)	3,371
Interest expense, net	52	39
(Loss) income before income taxes	(17,916)	3,332
Income tax (benefit) expense	(5,512)	115
Net (loss) income	\$ (12,404)	\$ 3,217
Net (loss) income per common share:		
Basic	\$ (0.75)	\$ 0.19
Diluted	\$ (0.75)	\$ 0.19
Weighted-average shares outstanding:		
Basic	16,635,340	16,870,154
Diluted	16,635,340	16,955,324

See notes to the Unaudited Condensed Consolidated Financial Statements

Chuy's Holdings, Inc.
Unaudited Condensed Consolidated Statements of Stockholders' Equity
(In thousands, except share and per share data)

	Thirteen Weeks Ended				
	Common Stock		Paid-in Capital	Retained	Total
	Shares	Amount		Earnings	
Balance, December 29, 2019	16,636,464	\$ 166	\$ 94,712	\$ 100,058	\$ 194,936
Stock-based compensation	—	—	912	—	912
Settlement of restricted stock units	134,530	1	(1)	—	—
Repurchase of shares of common stock	(90,144)	(1)	(1,421)	—	(1,422)
Indirect repurchase of shares for minimum tax withholdings	(40,660)	—	(626)	—	(626)
Net loss	—	—	—	(12,404)	(12,404)
Balance, March 31, 2020	16,640,190	\$ 166	\$ 93,576	\$ 87,654	\$ 181,396
Balance, December 30, 2018	16,856,373	\$ 169	\$ 99,490	\$ 94,192	\$ 193,851
Adoption of ASU 2016-02 Leases (Topic 842)	—	—	—	(349)	(349)
Stock-based compensation	—	—	798	—	798
Proceeds from exercise of stock options	4,687	—	34	—	34
Settlement of restricted stock units	115,688	1	—	—	1
Repurchase of shares of common stock	(80,309)	(1)	(1,817)	—	(1,818)
Indirect repurchase of shares for minimum tax withholdings	(35,800)	—	(811)	—	(811)
Net income	—	—	—	3,217	3,217
Balance, March 31, 2019	16,860,639	\$ 169	\$ 97,694	\$ 97,060	\$ 194,923

See notes to the Unaudited Condensed Consolidated Financial Statements

Chuy's Holdings, Inc.
Unaudited Condensed Consolidated Statements of Cash Flows
(In thousands)

	Thirteen Weeks Ended	
	March 29, 2020	March 31, 2019
Cash flows from operating activities:		
Net (loss) income	\$ (12,404)	\$ 3,217
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	5,289	5,077
Amortization of operating lease assets	3,307	3,228
Amortization of loan origination costs	8	8
Loss on asset impairment	18,277	—
Stock-based compensation	856	750
Loss on disposal of property and equipment	196	181
Deferred income taxes	(4,567)	(274)
Changes in operating assets and liabilities:		
Accounts receivable	469	597
Lease incentive receivable	(150)	315
Income tax receivable and payable	(1,746)	388
Inventories	138	(40)
Prepaid expenses and other current assets	(733)	(1,853)
Accounts payable	1,181	(2,603)
Accrued liabilities	(5,737)	1,943
Operating lease liabilities	(3,789)	(3,275)
Net cash provided by operating activities	595	7,659
Cash flows from investing activities:		
Purchase of property and equipment	(5,498)	(5,866)
Purchase of other assets	(100)	(53)
Net cash used in investing activities	(5,598)	(5,919)
Cash flows from financing activities:		
Borrowings under revolving line of credit	25,000	5,000
Payments under revolving line of credit	—	(5,000)
Repurchase of shares of common stock	(1,422)	(1,817)
Proceeds from the exercise of stock options	—	34
Indirect repurchase of shares for minimum tax withholdings	(626)	(811)
Net cash provided by (used in) financing activities	22,952	(2,594)
Net increase (decrease) in cash and cash equivalents	17,949	(854)
Cash and cash equivalents, beginning of period	10,074	8,199
Cash and cash equivalents, end of period	\$ 28,023	\$ 7,345
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment and other assets acquired by accounts payable	\$ 762	\$ 174
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 30	\$ 17
Cash paid for income taxes	\$ 829	\$ —

See notes to the Unaudited Condensed Consolidated Financial Statements

Chuy's Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(Tabular dollar amounts in thousands, except share and per share data)

1. Basis of Presentation

Chuy's Holdings, Inc. (the "Company" or "Chuy's") develops and operates Chuy's restaurants throughout the United States. Chuy's is a growing, full-service restaurant concept offering a distinct menu of authentic, freshly-prepared Mexican and Tex-Mex inspired food. As of March 29, 2020, the Company operated 92 restaurants across 19 states and had nine restaurants temporarily closed due to the Coronavirus ("COVID-19") pandemic.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements and the related notes reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company's financial position, results of operations and cash flows for the periods presented. The unaudited condensed consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), except that certain information and notes have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission (the "SEC"). Results for interim periods are not necessarily indicative of the results that may be expected for the full fiscal year. The unaudited condensed consolidated financial statements should be read in conjunction with consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2019. The accompanying condensed consolidated balance sheet as of December 29, 2019, has been derived from our audited consolidated financial statements.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual results could differ from those estimates.

The Company operates on a 52- or 53- week fiscal year that ends on the last Sunday of the calendar year. Each quarterly period has 13 weeks, except for a 53-week year when the fourth quarter has 14 weeks. Our 2020 and 2019 fiscal years both consist of 52 weeks.

COVID-19 Pandemic

During March 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic and the United States declared a National Public Health Emergency. The COVID-19 pandemic has significantly impacted health and economic conditions throughout the United States. Federal, state and local governments took a variety of actions to contain the spread of COVID-19. Many jurisdictions where our restaurants are located required mandatory closures or imposed capacity limitations and other restrictions affecting our operations. As a result of these developments, the Company is experiencing a significant negative impact on its revenues, results of operations and cash flows which could negatively impact its ability to meet its obligations over the next twelve months.

In response to the business disruption caused by the COVID-19 pandemic, the Company has taken the following actions, which management expects will enable it to meet its obligations over the next twelve months:

- Transitioned its restaurants to an off-premise operating model starting the last week of March 2020 and temporarily closed 9 locations. The Company started to reopen some of its dining rooms during the week ending May 10, 2020 and as of May 21, 2020, the Company had reopened the dining rooms at approximately 70 restaurants at varying levels of limited capacity as allowed by federal, state and local governments.
- Canceled or delayed all non-essential planned capital expenditures for the remainder of 2020.
- Furloughed approximately 80% of hourly employees and approximately 40% of store management personnel, while enacting temporary salary reductions for remaining managers. In addition, the Company also furloughed certain corporate and administrative staff, temporarily reduced the pay of all remaining corporate and administrative staff by 25% to 50%, temporarily reduced senior management salaries by 50% to 75%, and temporarily suspended all board fees.
- Temporarily suspended any further activity under its share repurchase program.
- Fully drew down its \$25.0 million revolving credit facility to preserve financial flexibility and liquidity. Subsequent to the first quarter of 2020, the Company amended its revolving credit facility to extend its maturity to April 30, 2022 and relax the financial covenants through the new maturity date.
- Suspended the lease payments for months of April through June 2020. Currently in negotiations of rent concessions, abatements and deferrals with its landlords to reduce these lease payments. While some landlords have agreed to certain concessions, there can be no assurance that the Company will be successful in obtaining all of the relief it is seeking.
- Engaged in and are continuing to engage in, discussions with various parties to explore financing opportunities to enhance liquidity. On May 5, 2020, the Company filed a \$100.0 million shelf registration statement with the Securities and Exchange

Commission. Once this registration statement becomes effective, the Company may offer and sell its common stock, preferred stock, debt securities and warrants in one or more offerings at prices and terms determined at the time of each offering.

We cannot predict how soon we will be able to reopen all of our restaurants at full capacity, and our ability to reopen will depend in part on the actions of a number of governmental bodies over which we have no control. Moreover, once restrictions are lifted, it is unclear how quickly customers will return to our restaurants, which may be a function of continued concerns over safety and/or depressed consumer sentiment due to adverse economic conditions, including job losses.

2. Recent Accounting Pronouncements

The Company reviewed all recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

3. Net (Loss) Income Per Share

The number of shares and net (loss) income per share data for all periods presented are based on the historical weighted-average shares of common stock outstanding.

Basic net (loss) income per share of the Company's common stock is computed by dividing net (loss) income by the weighted-average number of shares of common stock outstanding for the period.

Diluted net (loss) income per share of the Company's common stock is computed on the basis of the weighted-average number of shares of common stock plus the effect of dilutive potential shares of common stock equivalents outstanding during the period using the treasury stock method for dilutive options and deferred shares (these deferred shares were granted under the Chuy's Holdings, Inc. 2012 Omnibus Equity Incentive Plan (the "2012 Plan"), and are referred to herein as "restricted stock units"). For the thirteen weeks ended March 29, 2020 and March 31, 2019, there were approximately 70,986 and 37,000 shares, respectively, of common stock equivalents that were excluded from the calculation of diluted net (loss) income per share because their inclusion would have been anti-dilutive.

The computation of basic and diluted net (loss) income per share is as follows:

	Thirteen Weeks Ended	
	March 29, 2020	March 31, 2019
BASIC		
Net (loss) income	\$ (12,404)	\$ 3,217
Weighted-average common shares outstanding	16,635,340	16,870,154
Basic net (loss) income per common share	<u>\$ (0.75)</u>	<u>\$ 0.19</u>
DILUTED		
Net (loss) income	\$ (12,404)	\$ 3,217
Weighted-average common shares outstanding	16,635,340	16,870,154
Dilutive effect of stock options and restricted stock units	—	85,170
Weighted-average of diluted shares	16,635,340	16,955,324
Diluted net (loss) income per common share	<u>\$ (0.75)</u>	<u>\$ 0.19</u>

4. Stock-Based Compensation

The Company has outstanding awards under the Chuy's Holdings, Inc. 2006 Stock Option Plan (the "2006 Plan") and the 2012 Plan. The 2006 Plan was terminated by the board effective July 27, 2012, and no further awards may be granted under the plan after such date. However, the termination of the 2006 Plan did not affect outstanding awards granted. Options granted under these plans vest over five years from the date of grant and have a maximum term of 10 years. As of March 29, 2020 the Company had 198,512 of stock options outstanding and exercisable with a remaining weighted average contractual term of 2.45 years.

Chuy's Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(Tabular dollar amounts in thousands, except share and per share data)

Restricted stock units granted under the 2012 Plan vest over four to five years from the date of grant. As of March 29, 2020, a total of 69,850 shares of common stock are reserved and remain available for issuance under the 2012 Plan.

Stock-based compensation expense recognized in the accompanying condensed consolidated income statements was approximately \$856,000 and \$750,000 for the thirteen weeks ended March 29, 2020 and March 31, 2019, respectively.

A summary of stock-based compensation activity related to restricted stock units for the thirteen weeks ended March 29, 2020 are as follows:

	Shares	Weighted Average Fair Value	Weighted Average Remaining Contractual Term (Year)
Outstanding at December 29, 2019	406,205	\$ 25.02	
Granted	278,718	14.70	
Vested	(134,530)	26.27	
Forfeited	(6,346)	21.22	
Outstanding at March 29, 2020	544,047	\$ 19.47	2.98

The fair value of the restricted stock units is the quoted market value of our common stock on the date of grant. As of March 29, 2020, total unrecognized stock-based compensation expense related to non-vested restricted stock units was approximately \$10.3 million. This amount is expected to be recognized evenly over the remaining vesting period of the grants.

5. Long-Term Debt

Revolving Credit Facility

On November 30, 2012, the Company entered into a \$25.0 million Revolving Credit Facility with Wells Fargo Bank, National Association. On October 30, 2015, the Company entered into an amendment to its Revolving Credit Facility to, among other things, (1) extend the maturity date of the Revolving Credit Facility to October 30, 2020 from November 30, 2017 and (2) revise the applicable margins and leverage ratios that determine the commitment fees and interest rates payable by the Company under the Revolving Credit Facility.

Under the Company's Revolving Credit Facility, the Company may request to increase the size of the Revolving Credit Facility by up to an additional \$25.0 million, in minimum principal amounts of \$5.0 million or the remaining amount of the \$25.0 million if less than \$5.0 million (the "Incremental Revolving Loan"), which Incremental Revolving Loan will be effective after 10 days written notice to the agent. In the event that any of the lenders fund the Incremental Revolving Loan, the terms and provisions of the Incremental Revolving Loan will be the same as under the Company's Revolving Credit Facility.

Borrowings under the Revolving Credit Facility generally bear interest at a variable rate based upon the Company's election, of (i) the base rate (which is the highest of prime rate, federal funds rate plus 0.5% or one month LIBOR plus 1.0%), or (ii) LIBOR, plus, in either case, an applicable margin based on the Company's consolidated total lease adjusted leverage ratio (as defined in the Revolving Credit Facility agreement). The Revolving Credit Facility also requires payment for commitment fees that accrue on the daily unused commitment of the lender at the applicable margin, which varies based on the Company's consolidated total lease adjusted leverage ratio.

The Revolving Credit Facility also requires compliance with a fixed charge coverage ratio, a lease adjusted leverage ratio and certain non-financial covenants. The Revolving Credit Facility also places certain restrictions on the payment of dividends and distributions. Under the Revolving Credit Facility, the Company may declare and make dividend payments so long as (i) no default or event of default has occurred and is continuing or would result therefrom and (ii) immediately after giving effect to any such dividend payment, on a pro forma basis, the lease adjusted leverage ratio does not exceed 3.50 to 1.00.

The obligations under the Company's Revolving Credit Facility are secured by a first priority lien on substantially all of the Company's assets. As of March 29, 2020, the Company had \$25.0 million outstanding under our Revolving Credit Facility.

Subsequent to the end of the first quarter of 2020, the Company entered into an amendment to its Revolving Credit Facility as described in the Note 13, *Subsequent Events*.

Chuy's Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(Tabular dollar amounts in thousands, except share and per share data)

6. Accrued Liabilities

The major classes of accrued liabilities at March 29, 2020 and December 29, 2019 are summarized as follows:

	March 29, 2020	December 29, 2019
Accrued compensation and related benefits	\$ 5,676	\$ 9,342
Other accruals	3,850	4,302
Sales and use tax	2,260	2,954
Property tax	1,553	2,220
Deferred gift card revenue	1,793	2,289
Total accrued liabilities	<u>\$ 15,132</u>	<u>\$ 21,107</u>

7. Share Repurchase Program

On October 31, 2019, the Company's board of directors authorized a new share repurchase program under which the Company may, at its discretion, repurchase up to \$30.0 million of its common stock through December 31, 2022. Repurchases of the Company's outstanding common stock will be made in accordance with applicable laws and may be made at management's discretion from time to time in the open market, through privately negotiated transactions or otherwise, including pursuant to Rule 10b5-1 trading plans. There is no guarantee as to the exact number of shares to be repurchased by the Company. The timing and extent of repurchases will depend upon several factors, including market and business conditions, regulatory requirements and other corporate considerations, and repurchases may be discontinued at any time.

We repurchased approximately 90,000 shares of common stock for \$1.4 million during the thirteen weeks ended March 29, 2020. As of March 29, 2020, we have \$28.6 million remaining to be repurchased under this plan. As a result of COVID-19, the Company has temporarily suspended any further activity under the program.

8. Commitments and Contingencies

As of March 29, 2020, we are involved in various legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our condensed consolidated financial position, results of operations, or cash flows.

9. Leases

The Company determines if a contract contains a lease at inception. The Company's material long-term operating lease agreements are for the land and buildings for our restaurants as well as our corporate offices. The lease term begins on the date that the Company takes possession under the lease, including the pre-opening period during construction, when in many cases the Company is not making rent payments. The initial lease terms range from 10 years to 15 years, most of which include renewal options of 10 to 15 years. The lease term is generally the minimum of the noncancelable period or the lease term including renewal options which are reasonably certain of being exercised up to a term of approximately 20 years.

Operating lease assets and liabilities are recognized at the lease commencement date for material leases with a term of greater than 12 months. Operating lease liabilities represent the present value of future minimum lease payments. Since our leases do not provide an implicit rate, our operating lease liabilities are calculated using the Company's secured incremental borrowing rate at lease commencement. We estimate this rate based on prevailing financial market conditions, comparable companies, credit analysis and management judgment. Minimum lease payments include only fixed lease components of the agreement, as well as variable rate payments that depend on an index, initially measured using the index at the lease commencement date.

Operating lease assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepaid or accrued lease payments, initial direct costs and lease incentives. Lease incentives are recognized when earned and reduce our operating lease asset. They are amortized through the operating lease assets as reductions of rent expense over the lease term.

Chuy's Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(Tabular dollar amounts in thousands, except share and per share data)

Operating lease expense is recognized on a straight-line basis over the lease term. Variable lease payments that do not depend on a rate or index, escalation in the index subsequent to the initial measurement, payments associated with non-lease components such as common area maintenance, real estate taxes and insurance, and short-term lease payments (leases with a term with 12 months or less) are expensed as incurred. Certain of the Company's operating leases contain clauses that provide for contingent rent based on a percentage of sales greater than certain specified target amounts. These variable payments are expensed when the achievement of the specified target that triggers the contingent rent is considered probable. As of March 29, 2020, all of the Company's leases were operating.

Components of operating lease costs are included in the occupancy, general and administrative expense and property and equipment, net:

Lease cost	Thirteen Weeks Ended	
	March 29, 2020	March 31, 2019
Operating lease cost ^(a)	\$ 6,088	\$ 6,012
Variable lease cost	123	252
	<u>\$ 6,211</u>	<u>\$ 6,264</u>

^(a) Includes short-term operating lease costs which are immaterial.

Supplemental cash flow disclosures for the thirteen weeks ended March 29, 2020 and March 31, 2019, respectively:

	Thirteen Weeks Ended	
	March 29, 2020	March 31, 2019
Cash paid for operating lease liabilities	6,616	6,286
Operating lease assets obtained in exchange for operating lease liabilities (a)	(923)	168,984

^(a) The thirteen weeks ended March 29, 2020 includes a \$6.6 million reduction to the operating lease assets and liabilities as a result of shortening the remaining life of certain leases. The thirteen weeks ended March 31, 2019 includes the transition adjustment for the adoption of Leases (Topic 842) of \$170.3 million as well as a \$1.3 million reduction to the operating lease assets and liabilities as a result of shortening the remaining life of certain leases.

The Company recorded \$0.2 million and \$0.6 million in deferred lease incentives during the thirteen weeks ended March 29, 2020 and March 31, 2019, respectively.

Supplemental balance sheet and other lease disclosures:

Operating leases	Classification	March 29, 2020	December 29, 2019
Right-of-use assets	Operating lease assets	\$ 162,859	\$ 169,299
Current lease liabilities	Operating lease liability	\$ 10,939	\$ 10,307
Non-current lease liabilities	Operating lease liability, less current portion	210,120	214,541
Total lease liabilities		<u>\$ 221,059</u>	<u>\$ 224,848</u>
Weighted average remaining lease term (in years)		14.4	15.0
Weighted average discount rate		7.9%	7.8%

Chuy's Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(Tabular dollar amounts in thousands, except share and per share data)

Future minimum rent payments for our operating leases for each of the next five years as of March 29, 2020 are as follows:

Fiscal year ending:

Remainder of 2020	\$	20,766
2021		27,980
2022		27,164
2023		27,578
2024		26,411
Thereafter		240,383
Total minimum lease payments		370,282
Less: imputed interest		149,223
Present value of lease liabilities	\$	221,059

As of March 29, 2020, operating lease payments exclude approximately \$7.1 million of legally binding minimum lease payments for leases signed but which we have not yet taken possession.

10. Income taxes

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law. The CARES Act includes provisions that allow net operating losses in 2018, 2019 and 2020 to be carried back for up to five years and eliminates the 80% taxable income limitation on such net operating loss deductions if utilized before 2021. Additionally, the CARES Act includes an administrative correction of the depreciation recovery period for qualified improvement property ("QIP"), including certain restaurant leasehold improvement costs that will result in the acceleration of depreciation on these assets retroactive to 2018. As a result, we estimate we will receive federal tax refunds for a total of approximately \$3.0 million for tax years 2020 and prior.

The following is a reconciliation of the expected federal income taxes at the statutory rates of 21% for the thirteen weeks ended March 29, 2020 and March 31, 2019:

	Thirteen Weeks Ended	
	March 29, 2020	March 31, 2019
Expected income tax (benefit) expense	(3,763)	700
State tax expense, net of federal benefit	(305)	167
FICA tip credit	(1,253)	(882)
Deferred tax balance adjustment (a)	(533)	—
Other	342	130
Income tax (benefit) expense	(5,512)	115

(a) Reflects the tax benefit recorded in the quarter associated with a carryback of federal net operating losses due to the CARES Act administrative correction of the depreciation recovery period for QIP.

Deferred tax assets were \$7.2 million and \$2.6 million as of March 29, 2020 and March 31, 2019, respectively.

Deferred tax assets are reduced by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that some or all of the deferred taxes will not be realized. Both positive and negative evidence is considered in forming management's judgment as to whether a valuation allowance is appropriate, and more weight is given to evidence that can be objectively verified. The tax benefits relating to any reversal of the valuation allowance on the deferred tax assets would be recognized as a reduction of future income tax expense. As of March 29, 2020 the Company believes that it will realize all of the deferred tax assets. Therefore, no valuation allowance has been recorded.

11. Impairment and Closed Restaurant Costs

The Company reviews long-lived assets, such as property and equipment and intangibles, subject to amortization, for impairment when events or circumstances indicate the carrying value of the assets may not be recoverable. In determining the recoverability of the asset value, an analysis is performed at the individual restaurant level and primarily includes an assessment of historical

Chuy's Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(Tabular dollar amounts in thousands, except share and per share data)

undiscounted cash flows and other relevant factors and circumstances. The Company evaluates future cash flow projections in conjunction with qualitative factors and future operating plans and regularly reviews any restaurants with a deficient level of cash flows for the previous 24 months to determine if impairment testing is necessary. Recoverability of assets to be held and used is measured by a comparison of the carrying value of the restaurant to its estimated future undiscounted cash flows. If the estimated undiscounted future cash flows are less than the carrying value, we determine if there is an impairment loss by comparing the carrying value of the restaurant to its estimated fair value. Based on this analysis, if the carrying value of the restaurant exceeds its estimated fair value, an impairment charge is recognized by the amount by which the carrying value exceeds the fair value.

We make assumptions to estimate future cash flows and asset fair values. The estimated fair value is generally determined using the depreciated replacement cost method, the income approach, or discounted cash flow projections. Estimated future cash flows are highly subjective assumptions based on the Company's projections and understanding of our business, historical operating results, and trends in sales and restaurant level operating costs.

The Company's impairment assessment process requires the use of estimates and assumptions regarding future cash flows and operating outcomes, which are based upon a significant degree of management judgment. The estimates used in the impairment analysis represent a Level 3 fair value measurement. The Company continues to assess the performance of restaurants and monitors the need for future impairment. Changes in the economic environment, real estate markets, capital spending, overall operating performance and underlying assumptions could impact these estimates and result in future impairment charges.

The Company recorded impairment and closed restaurant costs as follows:

	Thirteen Weeks Ended	
	March 29, 2020	March 31, 2019
Right of use asset impairment	\$ 3,133	—
Property, plant, and equipment impairment	15,144	\$ —
Non-cash impairment charge	18,277	\$ —
Closed restaurant costs	496	372
Impairment and closed restaurant costs	<u>\$ 18,773</u>	<u>\$ 372</u>

Closed restaurant costs represents on-going expenses to maintain the restaurants closed during fiscal 2019 such as rent expense, utility and insurance costs.

COVID-19 had a negative impact on our assumptions for future restaurant level cash flows as well as changes in the expected life of certain operating lease assets. These changes in assumptions resulted in elevated impairment charges for the three months ended March 29, 2020.

12. Goodwill and Indefinite Life Intangibles

Despite the significant excess fair value identified in our annual goodwill and indefinite life intangibles impairment assessments performed at the end of fiscal year 2019, we determined that the reduced cash flow projections and the significant decline in our market capitalization as a result of the COVID-19 pandemic indicates a potential impairment may exist. As a result, we performed an interim impairment assessment to determine if it was more likely than not that the goodwill and indefinite life intangible assets were impaired as of March 29, 2020.

Goodwill

The first step of the goodwill impairment test compares the implied estimated fair value of the reporting unit to the carrying amount, including goodwill. The Company considers all of its stores in total as one reporting unit. If the estimated fair value of the reporting unit is less than the carrying amount, then it is more likely than not that a goodwill impairment exists and a second step must be completed in order to determine the amount of the goodwill impairment. In the second step, the implied fair value of the goodwill is determined by allocating fair value to all of its assets and liabilities, other than goodwill, in a manner similar to a purchase price allocation. If the resulting implied fair value of the goodwill that results from the application of this second step is less than the carrying amount of the goodwill, an impairment charge is recorded for the difference. We determined that goodwill is not impaired as of March 29, 2020.

Chuy's Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(Tabular dollar amounts in thousands, except share and per share data)

Indefinite Life Intangibles

An intangible asset is determined to have an indefinite useful life when there are no legal, regulatory, contractual, competitive, economic or other factors that may limit the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company. Intangible assets acquired in a business combination are determined to have an indefinite useful life and are not amortized.

As part of our impairment assessment we calculate the estimated fair value of the indefinite-lived intangible asset and compare it to the carrying value. Fair value is estimated primarily using future discounted cash flow projections in conjunction with qualitative factors and future operating plans. When the carrying value exceeds fair value, an impairment charge is recorded for the amount of the difference. The Company also evaluated intangible assets that are not being amortized to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is determined to have a finite useful life, the asset will be amortized prospectively over the estimated remaining useful life and accounted for in the same manner as intangible assets subject to amortization. We determined that indefinite life intangibles are not impaired as of March 29, 2020.

The Company's impairment assessment process requires the use of estimates and assumptions including estimates and assumptions regarding the short and long-term impacts of COVID-19. Changes in the economic environment and the future effect that COVID-19 may have on our business could negatively impact our estimates and assumptions and result in future impairment charges.

13. Subsequent events

Subsequent to the first quarter of fiscal 2020, we amended the revolving credit facility to provide additional financial flexibility during the COVID-19 pandemic. The amendment extends the maturity date to April 30, 2022 and relaxes compliance with financial covenants through the new maturity date. This amendment requires the Company to be in compliance with a fixed charge coverage ratio, a leverage ratio and growth capital expenditure limits during both fiscal 2020 and 2021. Additionally, a \$5.0 million monthly liquidity covenant was added as well as certain additional reporting requirements. The interest rate increased to LIBOR plus 2.75% with a LIBOR floor of 1.00%. This rate is effective through the end of the second quarter of fiscal 2020. After the second quarter of fiscal year 2020, the interest rate will be based on LIBOR plus percentages ranging from 2.25% and 2.75% depending on the Company's leverage ratio thereafter.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless otherwise specified, or the context otherwise requires, the references in this report to "Chuy's," "our Company," "the Company," "us," "we" and "our" refer to Chuy's Holdings, Inc. together with its subsidiaries.

The following discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of our Company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended December 29, 2019 (our "Annual Report") and the unaudited condensed consolidated financial statements and the accompanying notes thereto included herein.

COVID-19 Pandemic

During March 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic and the United States declared a National Public Health Emergency. The COVID-19 pandemic has significantly impacted health and economic conditions throughout the United States. Federal, state and local governments took a variety of actions to contain the spread of COVID-19. Many jurisdictions where our restaurants are located required mandatory closures or imposed capacity limitations and other restrictions affecting our operations. As a result of these developments, the Company is experiencing a significant negative impact on its revenues, results of operations and cash flows which could negatively impact its ability to meet its obligations over the next twelve months.

In response to the business disruption caused by the COVID-19 pandemic, the Company has taken the following actions, which management expects will enable it to meet its obligations over the next twelve months:

- Transitioned its restaurants to an off-premise operating model starting the last week of March 2020 and temporarily closed nine locations. The Company started to reopen some of its dining rooms during the week ending May 10, 2020 and as of May 21, 2020, the Company had reopened the dining rooms at approximately 70 restaurants at varying levels of limited capacity as allowed by federal, state and local governments. Selected weekly comparable restaurant sales and average sales per restaurant sales data for the first and second quarter to-date are as follows:

	-----1Q 2020 -----				-----2Q 2020 -----					
	Week Ending				Week Ending					
	3/15	3/22	3/29	4/5	4/12	4/19	4/26	5/3	5/10	5/17
Comparable Restaurant Sales	(16.8)%	(67.0)%	(63.5)%	(60.8)%	(57.4)%	(50.2)%	(52.7)%	(61.0)%	(39.4)%	(45.4)%
Average Sales per Restaurant	\$73,200	\$27,900	\$32,656	\$33,873	\$36,440	\$42,660	\$42,300	\$40,200	\$57,500	\$48,500
Number of Restaurants	101	101	92	92	92	92	92	92	92	92

- Canceled or delayed all non-essential planned capital expenditures for the remainder of 2020, which is expected to lower annual capital expenditures by approximately \$15.0 million to \$22.0 million.
- Furloughed approximately 80% of hourly employees and approximately 40% of store management personnel, while enacting temporary salary reductions for remaining managers. In addition, the Company also furloughed certain corporate and administrative staff, temporarily reduced the pay of all remaining corporate and administrative staff by 25% to 50%, temporarily reduced senior management salaries by 50% to 75%, and temporarily suspended all board fees.
- Suspended the lease payments for months of April through June 2020. Currently in negotiations of rent concessions, abatements and deferrals with its landlords to reduce these lease payments. While some landlords have agreed to certain concessions, there can be no assurance that the Company will be successful in obtaining all of the relief it is seeking.
- Temporarily suspended any further activity under its share repurchase program.
- Further enhanced its liquidity position through several actions such as drawing down \$25.0 million under its Revolving Credit Facility among other measures. See "Liquidity" for more information.

As of May 17, 2020, the Company had approximately \$27.0 million in cash and, assuming current sales levels and spending, a current cash burn rate of approximately \$200,000 per week.

We cannot predict how soon we will be able to reopen all of our restaurants at full capacity, and our ability to reopen will depend in part on the actions of a number of governmental bodies over which we have no control. Moreover, once restrictions are lifted, it is unclear how quickly customers will return to our restaurants, which may be a function of continued concerns over safety and/or depressed consumer sentiment due to adverse economic conditions, including job losses.

Overview

We are a growing full-service restaurant concept offering a distinct menu of authentic, freshly-prepared Mexican and Tex-Mex inspired food. We were founded in Austin, Texas in 1982 and, as of March 29, 2020, we operated 92 restaurants across 19 states and had nine temporarily closed restaurants due to COVID-19.

We are committed to providing value to our customers through offering generous portions of made-from-scratch, flavorful Mexican and Tex-Mex inspired dishes. We also offer a full-service bar in all of our restaurants providing our customers a wide variety of beverage offerings. We believe the Chuy's culture is one of our most valuable assets, and we are committed to preserving and continually investing in our culture and our customers' restaurant experience.

Our restaurants have a common décor, but we believe each location is unique in format, offering an "unchained" look and feel, as expressed by our motto "If you've seen one Chuy's, you've seen one Chuy's!" We believe our restaurants have an upbeat, funky, eclectic, somewhat irreverent atmosphere while still maintaining a family-friendly environment.

During the 13-week period ended March 29, 2020, we opened one new restaurant. We have an established presence in Texas, the Southeast and the Midwest, with restaurants in multiple large markets in these regions. In response to COVID-19, all future restaurant development for fiscal year 2020 has been delayed and openings have been put on hold. There were three restaurants at various stages of competition at the end of the first quarter of 2020, that we intend to complete and open in fiscal year 2021.

Performance Indicators

We use the following performance indicators in evaluating our performance:

- *Number of Restaurant Openings.* Number of restaurant openings reflects the number of restaurants opened during a particular fiscal period. For restaurant openings we incur pre-opening costs, which are defined below, before the restaurant opens. Typically new restaurants open with an initial start-up period of higher than normalized sales volumes, which decrease to a steady level approximately six to twelve months after opening. However, operating costs during this initial six to twelve month period are also higher than normal, resulting in restaurant operating margins that are generally lower during the start-up period of operation and increase to a steady level approximately nine to twelve months after opening.
- *Comparable Restaurant Sales.* We consider a restaurant to be comparable in the first full quarter following the 18th month of operations. Changes in comparable restaurant sales reflect changes in sales for the comparable group of restaurants over a specified period of time. Changes in comparable sales reflect changes in customer count trends as well as changes in average check. Our comparable restaurant base consisted of 83 restaurants at March 29, 2020.
- *Average Check.* Average check is calculated by dividing revenue by total entrées sold for a given time period. Average check reflects menu price increases as well as changes in menu mix. Our management team uses this indicator to analyze trends in customers' preferences, effectiveness of menu changes and price increases and per customer expenditures.
- *Average Weekly Customers.* Average weekly customers is measured by the number of entrées sold per week. Our management team uses this metric to measure changes in customer traffic.
- *Average Unit Volume.* Average unit volume consists of the average sales of our comparable restaurants over a certain period of time. This measure is calculated by dividing total comparable restaurant sales within a period of time by the total number of comparable restaurants within the relevant period. This indicator assists management in measuring changes in customer traffic, pricing and development of our brand.
- *Average Sales per Restaurant.* Average Sales per Restaurant is calculated by dividing total weekly sales by number of operating restaurants in a given week.
- *Operating Margin.* Operating margin represents income from operations as a percentage of our revenue. By monitoring and controlling our operating margins, we can gauge the overall profitability of our Company.

The following table presents operating data for the periods indicated:

	Thirteen Weeks Ended	
	March 29, 2020	March 31, 2019
Total restaurants (at end of period)	92	99
Total comparable restaurants (at end of period)	83	83
Average unit volumes (in thousands)	\$ 993	\$ 1,067
Change in comparable restaurant sales ⁽¹⁾	(9.7)%	3.2%
Average check	\$ 16.28	\$ 15.53

⁽¹⁾ We consider a restaurant to be comparable in the first full quarter following the 18th month of operations. Change in comparable restaurant sales reflects changes in sales for the comparable group of restaurants over a specified period of time.

Our Fiscal Year

We operate on a 52- or 53-week fiscal year that ends on the last Sunday of the calendar year. Each quarterly period has 13 weeks, except for a 53-week year when the fourth quarter has 14 weeks. Our 2020 and 2019 fiscal years each consists of 52 weeks.

Key Financial Definitions

Revenue. Revenue primarily consists of food and beverage sales and also includes sales of our t-shirts, sweatshirts and hats. Revenue is presented net of discounts associated with each sale. Revenue in a given period is directly influenced by the number of operating weeks in such period, the number of restaurants we operate and comparable restaurant sales growth.

Cost of Sales. Cost of sales consists of food, beverage and merchandise related costs. The components of cost of sales are variable in nature, change with sales volume and are subject to increases or decreases based on fluctuations in commodity costs.

Labor Costs. Labor costs include restaurant management salaries, front- and back-of-house hourly wages and restaurant-level manager bonus expense and payroll taxes.

Operating Costs. Operating costs consist primarily of restaurant-related operating expenses, such as supplies, utilities, repairs and maintenance, travel cost, insurance, employee benefits, credit card fees, recruiting, delivery service and security. These costs generally increase with sales volume but may increase or decrease as a percentage of revenue.

Occupancy Costs. Occupancy costs include rent charges, both fixed and variable, as well as common area maintenance costs, property taxes, the amortization of tenant allowances and the adjustment to straight-line rent. These costs are generally fixed but a portion may vary with an increase in sales when the lease contains percentage rent.

General and Administrative Expenses. General and administrative expenses include costs associated with corporate and administrative functions that support our operations, including senior and supervisory management and staff compensation (including stock-based compensation) and benefits, travel, legal and professional fees, information systems, corporate office rent and other related corporate costs.

Marketing. Marketing costs include costs associated with our local restaurant marketing programs, community service and sponsorship activities, our menus and other promotional activities.

Restaurant Pre-opening Costs. Restaurant pre-opening costs consist of costs incurred before opening a restaurant, including manager salaries, relocation costs, supplies, recruiting expenses, initial new market public relations costs, pre-opening activities, employee payroll and related training costs for new employees. Restaurant pre-opening costs also include rent recorded during the period between date of possession and the restaurant opening date.

Impairment and closed restaurant costs. Impairment costs include impairment of long-lived assets associated with restaurants where the carrying amount of the asset is not recoverable and exceeds the fair value of the asset. Closed restaurant costs consist of any costs associated with the closure of a restaurant such as lease termination costs, severance benefits, other miscellaneous closing costs as well as costs to maintain these closed restaurants through the lease termination date such as occupancy costs, including rent payments less sublease income, if any, and insurance and utility costs.

Depreciation and Amortization. Depreciation and amortization principally include depreciation on fixed assets, including equipment and leasehold improvements, and amortization of certain intangible assets for our restaurants.

Interest Expense. Interest expense consists primarily of interest on our outstanding indebtedness and the amortization of our debt issuance costs reduced by capitalized interest.

Results of Operations

Potential Fluctuations in Quarterly Results and Seasonality

Our quarterly operating results may fluctuate significantly as a result of a variety of factors, including the timing of new restaurant openings and related expenses, profitability of new restaurants, weather, increases or decreases in comparable restaurant sales, general economic conditions, consumer confidence in the economy, changes in consumer preferences, competitive factors, changes in food costs, changes in labor costs and changes in gas prices. In the past, we have experienced significant variability in restaurant pre-opening costs from quarter to quarter primarily due to the timing of restaurant openings. We typically incur restaurant pre-opening costs in the five months preceding a new restaurant opening. In addition, our experience to date has been that labor and direct operating costs associated with a newly opened restaurant during the first several months of operation are often materially greater than what will be expected after that time, both in aggregate dollars and as a percentage of restaurant sales. Accordingly, the number and timing of new restaurant openings in any quarter has had, and is expected to continue to have, a significant impact on quarterly restaurant pre-opening costs, labor and direct operating costs.

Our business is also subject to fluctuations due to seasonality and adverse weather. The spring and summer months have traditionally had higher sales volume than other periods of the year. Timing of holidays, severe winter weather, hurricanes, thunderstorms and similar conditions may impact restaurant unit volumes in some of the markets where we operate and may have a greater impact should they occur during our higher volume months. As a result of these and other factors, our financial results for any given quarter may not be indicative of the results that may be achieved for a full fiscal year.

Thirteen Weeks Ended March 29, 2020 Compared to Thirteen Weeks Ended March 31, 2019

The following table presents, for the periods indicated, the condensed consolidated statement of operations (in thousands):

	Thirteen Weeks Ended					
	March 29, 2020	% of Revenue	March 31, 2019	% of Revenue	\$ Change	% Change
Revenue	\$ 94,500	100.0 %	\$ 102,111	100.0%	\$ (7,611)	(7.5)%
Costs and expenses:						
Cost of sales	24,562	26.0	25,715	25.2	(1,153)	(4.5)
Labor	33,580	35.5	36,699	35.9	(3,119)	(8.5)
Operating	14,585	15.4	14,559	14.3	26	0.2
Occupancy	7,986	8.5	7,982	7.8	4	0.1
General and administrative	5,720	6.1	6,167	6.0	(447)	(7.2)
Marketing	1,009	1.1	1,451	1.4	(442)	(30.5)
Restaurant pre-opening	860	0.9	718	0.7	142	19.8
Impairment and closed restaurant costs	18,773	19.9	372	0.4	18,401	*
Depreciation and amortization	5,289	5.5	5,077	5.0	212	4.2
Total costs and expenses	112,364	118.9	98,740	96.7	13,624	13.8
(Loss) income from operations	(17,864)	(18.9)	3,371	3.3	(21,235)	*
Interest expense, net	52	0.1	39	—	13	33.3
(Loss) income before income taxes	(17,916)	(19.0)	3,332	3.3	(21,248)	*
Income tax (benefit) expense	(5,512)	(5.9)	115	0.1	(5,627)	*
Net (loss) income	\$ (12,404)	(13.1)%	\$ 3,217	3.2%	\$ (15,621)	*

* Not meaningful

Revenue. Revenue decreased \$7.6 million, or 7.5%, to \$94.5 million for the thirteen weeks ended March 29, 2020 from \$102.1 million for the comparable period in 2019. The decrease was primarily driven by \$12.9 million decline in revenues as a result of COVID-19, including a loss of nine operating weeks due to the temporary closure of nine restaurants and a loss of 63 operating weeks due to stores closed during fiscal year 2019. These decreases were partially offset by \$5.5 million of incremental revenue from an additional 84 operating weeks provided by new restaurants as well as a 3.3% increase in comparable restaurant revenue prior to COVID-19.

Comparable restaurant sales decreased 9.7% for the thirteen weeks ended March 29, 2020 compared to the thirteen weeks ended March 31, 2019. These results include comparable restaurant sales growth of 3.3% for the first ten weeks of the 13-week quarter, prior to the impact of COVID-19 on the Company's business as a result of a 4.0% increase in average check, partially offset by a

0.7% decrease in average weekly customers. The weekly comparable restaurant sales cadence for the last three weeks of the quarter consisted of the following decreases: 16.8%, 67.0% and 63.5%.

Cost of Sales. Cost of sales as a percentage of revenue increased to 26.0% during the thirteen weeks ended March 29, 2020 from 25.2% during the same period in 2019, primarily as a result of increases in the costs of produce of approximately 80 basis points and dairy of approximately 50 basis points, partially offset by decreases in the costs of chicken of approximately 30 basis points, and bar items of approximately 10 basis points.

Labor Costs. Labor costs as a percentage of revenue decreased to 35.5% during the thirteen weeks ended March 29, 2020 from 35.9% during the comparable period in 2019, primarily due to leverage on higher average check, increased labor efficiency due to continued management efforts on implementing best practices in connection with new stores openings, lower store management bonuses and training expense for new managers in response to COVID-19, partially offset by hourly labor rate inflation in comparable stores of approximately 4.0%.

Operating Costs. Operating costs as a percentage of revenue increased to 15.4% during the thirteen weeks ended March 29, 2020 from 14.3% during the comparable period in 2019, primarily due to an increase in delivery service charges and to-go supplies as a result of an approximately 32.0% increase in our off-premise sales, higher repair and insurance costs as well as overall sales deleverage of fixed restaurant operating expenses.

Occupancy Costs. Occupancy costs as a percentage of revenue increased to 8.5% during the thirteen weeks ended March 29, 2020 from 7.8% during the comparable period in 2019, primarily as a result of sales deleverage of fixed occupancy expenses due to COVID-19 and higher property taxes.

General and Administrative Expenses. General and administrative expenses decreased to \$5.7 million for the thirteen weeks ended March 29, 2020 as compared to \$6.2 million for the same period in 2019, primarily driven by a \$0.3 million decrease in performance-based bonuses and a \$0.3 million credit card settlement received in the quarter, partially offset by a \$0.2 million increase in management salaries and non-cash stock compensation.

Restaurant Pre-opening Costs. Restaurant pre-opening costs increased to \$0.9 million for the thirteen weeks ended March 29, 2020 as compared to \$0.7 million for the same period in 2019. This increase was primarily driven by the timing of new restaurant openings in the first quarter of 2020 as compared to the same period in 2019. Due to COVID-19, the Company delayed all remaining 2020 restaurant openings.

Marketing. Marketing expense as a percentage of revenue decreased to 1.1% during the thirteen weeks ended March 29, 2020 from 1.4% during the comparable period in 2019, primarily due to the suspension of the Company's national-level marketing initiatives in response to COVID-19 while relying on more cost effective local store digital marketing efforts.

Impairment and closed restaurant costs. Impairment and closed restaurant costs increased to \$18.8 million during the thirteen weeks ended March 29, 2020 from \$0.4 million during the comparable period in 2019. As a result of the negative impact of COVID-19 on its business, including the temporary closure of nine restaurants, the Company performed an impairment analysis of its restaurants and identified certain restaurants as impaired based on revised assumptions of future restaurant level cash flows as well as changes in the expected life of certain operating lease assets. These changes in assumptions resulted in a \$18.3 million impairment charge for the three months ended March 29, 2020. The Company also recorded \$0.5 million and \$0.4 million of closed restaurant costs which includes rent expense, utility and insurance costs during the first quarter of 2020 and 2019, respectively.

Depreciation and Amortization. Depreciation and amortization costs increased \$0.2 million to \$5.3 million during the thirteen weeks ended March 29, 2020 from \$5.1 million during the comparable period in 2019, primarily due to an increase in equipment and leasehold improvement costs associated with new restaurants.

Income Tax Benefit. We recorded an income tax benefit of \$5.5 million during the thirteen weeks ended March 29, 2020 compared to an expense of \$0.1 million during the comparable period in 2019. The tax benefit was primarily due to a projected annual taxable loss as compared to taxable income in the same period last year as well as the tax benefit relating to the revaluation of deferred tax assets due to the administrative correction of the depreciation recovery period for qualified improvement property and the reinstatement of net operating loss carryback as a result of the CARES Act. The Company believes that it will realize all of the deferred tax assets and, no valuation allowance is required at this time.

Net Loss. As a result of the foregoing, net loss was \$12.4 million during the thirteen weeks ended March 29, 2020 as compared to net income of \$3.2 million during the comparable period in 2019.

Liquidity

Our principal sources of cash are net cash provided by operating activities, which includes tenant improvement allowances from our landlords, and borrowings, if any, under our \$25.0 million Revolving Credit Facility. Our need for capital resources is driven by our restaurant expansion plans, ongoing maintenance of our existing restaurants, investment in our corporate and information technology infrastructure, obligations under our operating leases and interest payments on our debt, if any.

Consistent with many other restaurant and retail store operations, we typically use operating lease arrangements for our restaurants. From time to time, we may also purchase the underlying land lot for development. We believe that our operating lease arrangements provide appropriate leverage of our capital structure in a financially efficient manner. As of March 29, 2020, we had a cash and cash equivalents balance of \$28.0 million.

Our main requirements for liquidity are to support our working capital, restaurant expansion plans, ongoing maintenance of our existing restaurants, investment in infrastructure and to repurchase shares of our common stock subject to market conditions. Repurchases of the Company's outstanding common stock will be made in accordance with applicable laws and may be made at management's discretion from time to time in the open market, through privately negotiated transactions or otherwise, including pursuant to Rule 10b5-1 trading plans. There is no guarantee as to the exact number of shares to be repurchased by the Company. The timing and extent of repurchases will depend upon several factors, including market and business conditions, regulatory requirements and other corporate considerations, and repurchases may be discontinued at any time. During the first quarter of 2020, and prior to the impact of COVID-19 on business operations, the Company repurchased approximately 90,000 shares of its common stock for a total of \$1.4 million. As of the end of the first quarter, the Company had \$28.6 million remaining under its \$30.0 million repurchase program that expires on December 31, 2022. As a result of COVID-19, the Company has temporarily suspended further share repurchase activity for the remainder of the year.

Our liquidity may be adversely affected by a number of factors, including a decrease in customer traffic or average check per customer due to changes in economic conditions.

COVID-19 Pandemic

In response to the uncertain market conditions resulting from the COVID-19 pandemic, we have enhanced our liquidity position through the following measures:

- Fully drew down our \$25.0 million revolving credit facility to preserve financial flexibility and liquidity. Subsequent to the first quarter of 2020, we amended our revolving credit facility to extend its maturity to April 30, 2022 and relax the financial covenants through the new maturity date.
- As of May 17, 2020, we had approximately \$27.0 million in cash and estimates a current cash burn rate of approximately \$200,000 per week. The estimated cash burn assumes current sales levels and spending. For additional information on the actions we have taken to reduce expenditures and reduce our cash burn, see "— COVID-19 Pandemic" above.
- Engaged in and are continuing to engage in, discussions with various parties to explore financing opportunities to enhance liquidity. On May 5, 2020, we filed a \$100.0 million shelf registration statement with the Securities and Exchange Commission. Once this registration statement becomes effective, we may offer and sell our common stock, preferred stock, debt securities and warrants in one or more offerings at prices and terms determined at the time of each offering.
- Temporarily suspended any further activity under our share repurchase program.
- Utilized provisions of the CARES Act to obtain tax savings as well as the deferral of our portion of social security taxes to future years.

We believe our existing cash and cash equivalents balance, combined with measures taken due to COVID-19 pandemic described above, will be sufficient to finance our operating activities for at least the next twelve months.

Cash Flows for Thirteen Weeks Ended March 29, 2020 and March 31, 2019

The following table summarizes the statement of cash flows for the thirteen weeks ended March 29, 2020 and March 31, 2019 (in thousands):

	Thirteen Weeks Ended	
	March 29, 2020	March 31, 2019
Net cash provided by operating activities	\$ 595	\$ 7,659
Net cash used in investing activities	(5,598)	(5,919)
Net cash provided by (used in) financing activities	22,952	(2,594)
Net increase (decrease) in cash and cash equivalents	17,949	(854)
Cash and cash equivalents at beginning of year	10,074	8,199
Cash and cash equivalents at end of period	\$ 28,023	\$ 7,345

Operating Activities. Net cash provided by operating activities decreased \$7.1 million to \$0.6 million for the thirteen weeks ended March 29, 2020 from \$7.7 million during the comparable period in 2019. Our business is almost exclusively a cash business. Almost all of our receipts come in the form of cash and cash equivalents and a large majority of our expenditures are paid within

a 30 day period. The decrease in net cash provided by operating activities was primarily due to a \$7.7 million decrease in accrued expenses mainly driven by lower bonus and payroll accruals due to furloughing a substantial amount of our workforce in March 2020 and a \$2.1 million increase in income tax receivable due in part to a CARES Act administrative correction. This total decrease of \$9.8 million was partially offset by a \$3.8 million increase in accounts payable due to the extension of payment terms with our vendors as a result of the COVID-19 pandemic.

Investing Activities. Net cash used in investing activities decreased \$0.3 million to \$5.6 million for the thirteen weeks ended March 29, 2020 from \$5.9 million during the comparable period in 2019. The decrease was primarily due to the timing of our construction payments associated with new restaurant development during the thirteen weeks ended March 29, 2020 as compared to the same period last year. All future non-essential capital expenditures, including costs associated with new openings have been canceled or delayed.

Financing Activities. Net cash provided by financing activities increased by \$25.5 million to \$23.0 million for the thirteen weeks ended March 29, 2020 from net cash used in financial activities of \$2.6 million during the comparable period in 2019. The increase was primarily due to a \$25.0 million draw on our revolving credit facility to provide additional liquidity due to the COVID-19 pandemic.

As of March 29, 2020, we had no other financing transactions, arrangements or other relationships with any unconsolidated affiliates or related parties. Additionally, we had no financing arrangements involving synthetic leases or trading activities involving commodity contracts.

Capital Resources

Long-Term and Short-Term Capital Requirements

There have been no material changes to our long-term or short-term capital requirements from what was previously disclosed in our Annual Report filed with the SEC, except as disclosed in Note 1, *Basis of Presentation — COVID-19 Pandemic*, Note 6, *Long-Term Debt* and Note 13, *Subsequent Events* in the notes to our unaudited condensed consolidated financial statements included elsewhere in this quarterly report on Form 10-Q for more information.

Contractual Obligations

There have been no material changes to our contractual obligations from what was previously disclosed in our Annual Report filed with the SEC, except as disclosed in Note 1, *Basis of Presentation — COVID-19 Pandemic*, Note 6, *Long-Term Debt* and Note 13, *Subsequent Events*.

Off-Balance Sheet Arrangements

As of March 29, 2020, we are not involved in any variable interest entities transactions and do not otherwise have any off-balance sheet arrangements.

Significant Accounting Policies

There have been no material changes to the significant accounting policies from what was previously disclosed in our Annual Report filed with the SEC.

Recent Accounting Pronouncements

For information regarding new accounting pronouncements, see Note 3, *Recent Accounting Pronouncements* in the notes to our unaudited condensed consolidated financial statements.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this quarterly report that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We use words such as “anticipate,” “expect,” “believe,” “intend,” “estimate,” “plans” and similar expressions, and variations or negatives of these words to identify forward-looking statements. Forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, the following:

- the ultimate geographic spread, duration and severity of the COVID-19 pandemic, and the effectiveness of actions taken, or actions that may be taken, by governmental authorities to contain the outbreak or treat its impact;
- the success of our existing and new restaurants;
- our ability to identify appropriate sites and develop and expand our operations;
- our ability to manage our growth effectively;

- we operate most of our restaurants under long-term leases which we would be obligated to perform even if we closed our restaurants;
- we may not be able to renew leases;
- changes in economic conditions;
- damage to our reputation or lack of acceptance of our brand in existing or new markets;
- our expansion into markets that we are unfamiliar with;
- economic and other trends and developments, including adverse weather conditions, in the local or regional areas in which our restaurants are located and specifically in Texas where a large percentage of our restaurants are located;
- acts of violence at or threatened against our restaurants or centers in which they are located;
- the impact of negative economic factors, including the availability of credit, on our landlords and surrounding tenants;
- changes in food availability and costs;
- labor shortages and increases in our labor costs, including as a result of changes in government regulation, such as the adoption of federal health care legislation;
- food safety and food borne illness concerns;
- increased competition in the restaurant industry and the segments in which we compete;
- the impact of legislation and regulations regarding nutritional information, and new information or attitudes regarding diet and health or adverse opinions about the health of consuming our menu offerings;
- the impact of federal, state and local beer, liquor and food service regulations;
- the impact of litigation;
- the success of our marketing programs;
- the impact of new restaurant openings, including the effect on our existing restaurants when opening new restaurants in the same markets and restaurant closures;
- the loss of key members of our management team;
- strain on our infrastructure and resources caused by our growth;
- the inadequacy of our insurance coverage and fluctuating insurance requirements and costs;
- the impact of our indebtedness on our ability to invest in the ongoing needs of our business;
- our ability to obtain debt or other financing on favorable terms or at all;
- the impact of impairment charges and closed restaurant costs in the future;
- the impact of security breaches of confidential customer information in connection with our electronic processing of credit and debit card transactions;
- inadequate protection of our intellectual property;
- the failure of our information technology system or the breach of our network security;
- a major natural or man-made disaster;
- our increased costs and obligations as a result of being a public company;
- the failure of our internal control over financial reporting;
- the impact of federal, state and local tax laws;
- volatility in the price of our common stock;
- the timing and amount of repurchases of our common stock, if any, will depend upon several factors, including market and business conditions, regulatory requirements and other corporate considerations, changes to the Company's expected liquidity position and the possibility that the repurchase program may be suspended or discontinued;
- the impact of future sales of our common stock and any additional capital raised by us through the sale of our common stock or grants of additional equity-based compensation;

- the impact of a downgrade of our shares by securities analysts or industry analysts, the publication of negative research or reports, or lack of publication of reports about our business;
- the effect of anti-takeover provisions in our charter documents and under Delaware law;
- the effect of our decision to not pay dividends for the foreseeable future;
- the effect of changes in accounting principles applicable to us;
- our ability to raise capital in the future;
- the risks described under the heading "Risk Factors" in this Quarterly Report on Form 10-Q for the quarter ended March 29, 2020; and
- other risks and uncertainties described from time to time in the Company's Annual Report and other filings with the Securities and Exchange Commission.

Although we believe that the expectations reflected in the forward-looking statements are reasonable based on our current knowledge of our business and operations, we cannot guarantee future results, levels of activity, performance or achievements. The foregoing factors should not be construed as exhaustive and should be read together with other cautionary statements included in this report and in our Annual Report. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Any forward-looking statements you read in this report reflect our views as of the date of this report with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. You should not place undue reliance on these forward-looking statements and you should carefully consider all of the factors identified in this report that could cause actual results to differ. We assume no obligation to update these forward-looking statements, except as required by law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our quantitative and qualitative disclosures about market risk from what was previously disclosed in our Annual Report filed with the SEC.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) were effective as of the end of the period covered by this report.

The design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Because of its inherent limitations, disclosure controls and procedures may not prevent or detect all misstatements. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred during our quarter ended March 29, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II—Other Information

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

The COVID-19 pandemic has heightened, and in some cases manifested, certain of the risks we normally face in operating our business, including those disclosed in our Annual Report, and the risk factor disclosure in our Annual Report is qualified by the information relating to COVID-19 that is described in this Quarterly Report on Form 10-Q including the new risk factor set forth below. There have been no other material changes from the risk factors previously disclosed in our Annual Report.

COVID-19 has harmed our business and may continue to do so.

During March 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic and the United States declared a National Public Health Emergency. The COVID-19 pandemic has significantly impacted health and economic conditions throughout the United States. Federal, state and local governments took a variety of actions to contain the spread of COVID-19. Many jurisdictions where our restaurants are located required mandatory closures or imposed capacity limitations and other restrictions affecting our operations. Most of our restaurants have transitioned to an off-premise operating model. These developments have materially harmed our business, financial condition and results of operations and may continue to do so.

In response, we reduced expenses broadly, including furloughing approximately 80% of hourly employees and approximately 40% of store management personnel, while enacting temporary salary reductions for remaining managers. In addition, we also furloughed certain corporate and administrative staff, temporarily reduced the pay of all remaining corporate and administrative staff by 25% to 50%, temporarily reduced senior management salaries by 50% to 75%, and temporarily suspended all board fees. We also suspended our share repurchase program and fully drew down under our \$25.0 million revolving credit facility. Additionally, the Company delayed all remaining 2020 restaurant openings.

We cannot predict how soon we will be able to reopen our existing restaurants or open new restaurants in the future, and our ability to reopen our existing and new restaurants in the future will depend in part on the actions of a number of governmental bodies over which we have no control. Moreover, once restrictions are lifted, it is unclear how quickly customers will return to our restaurants, which may be a function of continued concerns over safety and/or depressed consumer sentiment due to adverse economic conditions, including job losses. Considering the significant uncertainty as to when we can reopen some or all of our restaurants and the uncertain customer demand environment, in addition to the actions described above, we:

- are negotiating rent concessions, abatements and deferrals with our landlords to reduce our lease payments;
- extended the maturity date of our revolving credit facility and obtained easement of the covenants; and
- due to the impact of coronavirus on the economy and our business, have engaged in and are continuing to engage in, discussions with various parties to explore financing opportunities to enhance liquidity.

While some landlords have agreed to certain concessions, there can be no assurance that we will be successful in obtaining all of the relief we are seeking.

The outbreak of COVID-19 has caused significant disruptions to our ability to generate revenue and cash flows, and uncertainty regarding the length of the disruption may adversely harm our ability to raise additional capital. The COVID-19 outbreak is adversely affecting the availability of liquidity generally in the credit markets, and there can be no guarantee that additional liquidity will be readily available or available on favorable terms, especially the longer the COVID-19 outbreak lasts. The equity markets in the United States have been extremely volatile due to the COVID-19 outbreak and our stock price has fluctuated significantly. Continued volatility in the equity markets and our stock price could negatively impact our ability to raise capital. The ultimate impact of the COVID-19 pandemic on our business, financial condition and results of operations will depend on our ability to have sufficient liquidity until such time as our restaurants can again generate revenue and profits capable of supporting our ongoing operations, all of which remain highly uncertain at this time.

Our suppliers could be adversely impacted by the COVID-19 outbreak. If our suppliers' employees are unable to work, whether because of illness, quarantine, limitations of travel or other government restrictions in connection with COVID-19, we could face shortages of food items or other supplies at our restaurants and our operations and sales could be adversely harmed by such supply interruptions.

We could experience other potential impacts as a result of the COVID-19 pandemic that are not completely known at this time, including, but not limited to, charges from potential adjustments to the carrying amount of goodwill, indefinite-lived intangibles and long-lived asset impairment charges. Our actual results may differ materially from our current estimates as the scope of the COVID-19 pandemic evolves, depending largely though not exclusively on the duration of the disruption to our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below provides information with respect to our purchase of shares of our common stock during the thirteen weeks ended March 29, 2020:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions) ⁽¹⁾
December 30, 2019 through January 26, 2020	—	\$ —	—	\$ 30.0
January 27, 2020 through February 23, 2020	—	—	—	30.0
February 24, 2020 through March 29, 2019	90,144	15.78	90,144	28.6
Total	90,144	\$ 15.78	90,144	

(1) On November 7, 2019, we announced that our board of directors authorized us to repurchase an indeterminate number of our common stock through December 31, 2022 at an aggregate market value of up to \$30.0 million. The Company's previous repurchase program expired on December 31, 2019. As a result of COVID-19, the Company has suspended any further activity under the program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description of Exhibit
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 22, 2020

CHUY'S HOLDINGS, INC.

By: /s/ Steven J. Hislop

Name: Steven J. Hislop

Title: President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Jon W. Howie

Name: Jon W. Howie

Title: Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Steven J. Hislop, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chuy's Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 22, 2020

/s/ Steven J. Hislop

Steven J. Hislop
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Jon W. Howie, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chuy's Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 22, 2020

/s/ Jon W. Howie

Jon W. Howie

Vice President and Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Chuy's Holdings, Inc., a Delaware Corporation (the "Company"), for the period ending March 29, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Steven J. Hislop, President and Chief Executive Officer of the Company, and Jon W. Howie, Vice President and Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods indicated.

Date: May 22, 2020

/s/ Steven J. Hislop

Steven J. Hislop
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Jon W. Howie

Jon W. Howie
Vice President and Chief Financial Officer
(Principal Financial Officer)