
**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 September 25, 2022

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 Rd.
Austin, Texas 78704
(Address of Principal Executive Offices) (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 checked="" type="checkbox"/>	Accelerated filer	<input 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 October 28, 2022 was 17,996,293.

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

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

	September 25, 2022	December 26, 2021
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 84,126	\$ 106,621
Accounts receivable	1,647	1,811
Inventories	1,622	1,676
Income tax receivable	—	1,083
Prepaid expenses and other current assets	5,058	3,273
Total current assets	92,453	114,464
Property and equipment, net	184,148	179,369
Operating lease assets	149,036	148,444
Deferred tax asset, net	4,903	5,400
Other assets and intangible assets, net	2,891	1,678
Tradename	21,900	21,900
Goodwill	24,069	24,069
Total assets	\$ 479,400	\$ 495,324
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 6,634	\$ 4,127
Accrued liabilities	23,952	25,242
Operating lease liabilities	12,403	13,003
Income tax payable	53	—
Total current liabilities	43,042	42,372
Operating lease liabilities, less current portion	185,443	188,735
Other liabilities	1,956	1,423
Total liabilities	230,441	232,530
Contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value; 60,000,000 shares authorized; 18,323,647 shares issued and outstanding at September 25, 2022 and 19,538,058 shares issued and outstanding at December 26, 2021	183	195
Preferred stock, \$0.01 par value; 15,000,000 shares authorized and no shares issued or outstanding at September 25, 2022 and December 26, 2021	—	—
Paid-in capital	103,458	135,659
Retained earnings	145,318	126,940
Total stockholders' equity	248,959	262,794
Total liabilities and stockholders' equity	\$ 479,400	\$ 495,324

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		Thirty-Nine Weeks Ended	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Revenue	\$ 106,682	\$ 101,939	\$ 318,114	\$ 297,802
Costs and expenses:				
Cost of sales	29,149	24,972	86,266	70,984
Labor	32,378	29,776	94,470	84,911
Operating	17,441	15,001	51,164	44,416
Occupancy	7,490	7,351	22,698	22,049
General and administrative	6,700	6,996	19,848	20,523
Marketing	1,541	1,136	4,568	3,351
Restaurant pre-opening	266	349	733	1,641
Impairment, closed restaurant and other costs	1,190	3,973	3,203	7,721
Depreciation	5,102	5,093	15,065	15,097
Total costs and expenses	101,257	94,647	298,015	270,693
Income from operations	5,425	7,292	20,099	27,109
Interest (income) expense, net	(331)	74	(378)	118
Income before income taxes	5,756	7,218	20,477	26,991
Income tax expense	767	1,218	2,099	2,807
Net income	\$ 4,989	\$ 6,000	\$ 18,378	\$ 24,184
Net income per common share:				
Basic	\$ 0.27	\$ 0.30	\$ 0.97	\$ 1.22
Diluted	\$ 0.27	\$ 0.30	\$ 0.97	\$ 1.20
Weighted-average shares outstanding:				
Basic	18,685,401	19,913,355	18,901,542	19,882,265
Diluted	18,761,263	20,100,811	19,010,238	20,141,107

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 Earnings	Total
	Shares	Amount			
Balance, June 26, 2022	18,879,917	\$ 189	\$ 115,232	\$ 140,329	\$ 255,750
Stock-based compensation	—	—	987	—	987
Settlement of restricted stock units	1,850	—	—	—	—
Repurchase of shares of common stock	(557,576)	(6)	(12,749)	—	(12,755)
Indirect repurchase of shares for minimum tax withholdings	(544)	—	(12)	—	(12)
Net income	—	—	—	4,989	4,989
Balance, September 25, 2022	<u>18,323,647</u>	<u>\$ 183</u>	<u>\$ 103,458</u>	<u>\$ 145,318</u>	<u>\$ 248,959</u>
Balance, June 27, 2021	19,997,123	\$ 200	\$ 148,191	\$ 114,948	\$ 263,339
Stock-based compensation	—	—	995	—	995
Settlement of restricted stock units	2,148	—	—	—	—
Repurchase of shares of common stock	(196,569)	(2)	(6,115)	—	(6,117)
Indirect repurchase of shares for minimum tax withholdings	(705)	—	(22)	—	(22)
Net income	—	—	—	6,000	6,000
Balance, September 26, 2021	<u>19,801,997</u>	<u>\$ 198</u>	<u>\$ 143,049</u>	<u>\$ 120,948</u>	<u>\$ 264,195</u>
	Thirty-Nine Weeks Ended				
	Common Stock		Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
Balance, December 26, 2021	19,538,058	\$ 195	\$ 135,659	\$ 126,940	\$ 262,794
Stock-based compensation	—	—	3,042	—	3,042
Settlement of restricted stock units	174,596	2	(2)	—	—
Repurchase of shares of common stock	(1,334,388)	(13)	(33,794)	—	(33,807)
Indirect repurchase of shares for minimum tax withholdings	(54,619)	(1)	(1,447)	—	(1,448)
Net income	—	—	—	18,378	18,378
Balance, September 25, 2022	<u>18,323,647</u>	<u>\$ 183</u>	<u>\$ 103,458</u>	<u>\$ 145,318</u>	<u>\$ 248,959</u>
Balance, December 27, 2020	19,710,549	\$ 197	\$ 144,897	\$ 96,764	\$ 241,858
Stock-based compensation	—	—	3,039	—	3,039
Proceeds from exercise of stock options	163,354	2	3,759	—	3,761
Settlement of restricted stock units	181,966	2	(2)	—	—
Repurchase of shares of common stock	(196,569)	(2)	(6,115)	—	(6,117)
Indirect repurchase of shares for minimum tax withholdings	(57,303)	(1)	(2,529)	—	(2,530)
Net income	—	—	—	24,184	24,184
Balance, September 26, 2021	<u>19,801,997</u>	<u>\$ 198</u>	<u>\$ 143,049</u>	<u>\$ 120,948</u>	<u>\$ 264,195</u>

See Notes to the Unaudited Condensed Consolidated Financial Statements

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

	Thirty-Nine Weeks Ended	
	September 25, 2022	September 26, 2021
Cash flows from operating activities:		
Net income	\$ 18,378	\$ 24,184
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	15,065	15,097
Amortization of operating lease assets	7,149	7,241
Amortization of loan origination costs	65	105
Impairment, closed restaurant and other costs	880	2,767
Stock-based compensation	2,885	2,893
Loss on disposal of property and equipment	204	9
Deferred income taxes	497	1,424
Changes in operating assets and liabilities:		
Accounts receivable	164	(76)
Lease incentive receivable	—	200
Income tax receivable and payable	1,136	(415)
Inventories	54	26
Prepaid expenses and other assets	(1,858)	(686)
Accounts payable	985	1,087
Accrued and other liabilities	(756)	355
Operating lease liabilities	(11,975)	(17,221)
Net cash provided by operating activities	32,873	36,990
Cash flows from investing activities:		
Purchase of property and equipment, net	(20,113)	(13,554)
Net cash used in investing activities	(20,113)	(13,554)
Cash flows from financing activities:		
Loan origination costs	—	(260)
Repurchase of shares of common stock	(33,807)	(6,117)
Proceeds from the exercise of stock options	—	3,761
Indirect repurchase of shares for minimum tax withholdings	(1,448)	(2,530)
Net cash used in financing activities	(35,255)	(5,146)
Net (decrease) increase in cash and cash equivalents	(22,495)	18,290
Cash and cash equivalents, beginning of period	106,621	86,817
Cash and cash equivalents, end of period	\$ 84,126	\$ 105,107
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment and other assets acquired by accounts payable	\$ 1,522	\$ 386
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 41	\$ 26
Cash paid for income taxes	\$ 466	\$ 1,806

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 September 25, 2022, the Company operated 97 restaurants across 17 states.

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 26, 2021. The accompanying condensed consolidated balance sheet as of December 26, 2021, 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 2022 and 2021 fiscal years both consist of 52 weeks.

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 Income Per Share

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

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

Diluted net income per share of 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 restricted stock units (the options and restricted stock units were granted under the Chuy's Holdings, Inc. 2012 Omnibus Equity Incentive Plan (the "2012 Plan") and the Chuy's Holdings, Inc. 2020 Omnibus Incentive Plan (the "2020 Plan")).

For the thirteen weeks ended September 25, 2022 and September 26, 2021, there were approximately 91,952 and 19,300 shares, respectively, of common stock equivalents that were excluded from the calculation of diluted net income per share because their inclusion would have been anti-dilutive. For the thirty-nine weeks ended September 25, 2022 and September 26, 2021, there were approximately 65,638 and 6,400 shares, respectively, of common stock equivalents that were excluded from the calculation of diluted net income per share because their inclusion would have been anti-dilutive.

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

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
BASIC				
Net income	\$ 4,989	\$ 6,000	\$ 18,378	\$ 24,184
Weighted-average common shares outstanding	18,685,401	19,913,355	18,901,542	19,882,265
Basic net income per common share	<u>\$ 0.27</u>	<u>\$ 0.30</u>	<u>\$ 0.97</u>	<u>\$ 1.22</u>
DILUTED				
Net income	\$ 4,989	\$ 6,000	\$ 18,378	\$ 24,184
Weighted-average common shares outstanding	18,685,401	19,913,355	18,901,542	19,882,265
Dilutive effect of stock options and restricted stock units	75,862	187,456	108,696	258,842
Weighted-average of diluted shares	18,761,263	20,100,811	19,010,238	20,141,107
Diluted net income per common share	<u>\$ 0.27</u>	<u>\$ 0.30</u>	<u>\$ 0.97</u>	<u>\$ 1.20</u>

4. Stock-Based Compensation

The Company has outstanding awards under the 2012 Plan and the 2020 Plan. On July 30, 2020, the Company's stockholders approved the 2020 Plan, which replaced the 2012 Plan and no further awards may be granted under the 2012 plan. The termination of the 2012 Plan did not affect outstanding awards granted under the 2012 Plan. Options granted under these plans vest over five years from the date of grant and have a maximum term of ten years. As of September 25, 2022, the Company had 13,165 of stock options outstanding and exercisable with a remaining weighted average contractual term of approximately one year.

Restricted stock units granted under the 2012 Plan and 2020 Plan vest over four years to five years from the date of grant. As of September 25, 2022, a total of 874,846 shares of common stock were reserved and remained available for issuance under the 2020 Plan.

Stock-based compensation expense recognized in the accompanying condensed consolidated income statements was approximately \$0.9 million for the thirteen weeks ended September 25, 2022 and September 26, 2021, and approximately \$2.9 million for the thirty-nine weeks ended September 25, 2022 and September 26, 2021.

A summary of stock-based compensation activity related to restricted stock units for the thirty-nine weeks ended September 25, 2022 is as follows:

	Shares	Weighted Average Fair Value	Weighted Average Remaining Contractual Term (Year)
Outstanding at December 26, 2021	417,017	\$ 24.10	
Granted	145,363	31.10	
Vested	(174,596)	23.36	
Forfeited	(1,479)	20.99	
Outstanding at September 25, 2022	<u>386,305</u>	<u>\$ 27.08</u>	<u>2.67</u>

The fair value of the restricted stock units is the quoted market value of our common stock on the date of grant. As of September 25, 2022, total unrecognized stock-based compensation expense related to non-vested restricted stock units was approximately \$8.4 million. This amount is expected to be recognized evenly over the remaining vesting period of the grants.

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

5. Long-Term Debt**Revolving Credit Facility**

On July 30, 2021, the Company entered into a secured \$35.0 million revolving credit facility with JPMorgan Chase Bank, N.A. (the "Credit Facility"). The Credit Facility may be increased up to an additional \$25.0 million subject to certain conditions and at the Company's option if the lenders agree to increase their commitments. The Credit Facility will mature on July 30, 2024, unless the Company exercises its option to voluntarily and permanently reduce all of the commitments before the maturity date. In connection with entering the Credit Facility, the Company terminated its \$25.0 million revolving credit facility with Wells Fargo Bank, N.A.

The Credit Facility contains representations and warranties, affirmative and negative covenants and events of default that the Company considers customary for an agreement of this type. The agreement requires the Company to be in compliance with a minimum fixed charge coverage ratio of no less than 1.25 to 1.00, and a maximum consolidated total lease adjusted leverage ratio of no more than 4.00 to 1.00. The Credit Facility also has certain restrictions on the payment of dividends. Under the 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 consolidated total lease adjusted leverage ratio does not exceed 3.50 to 1.00.

Borrowings under the Credit Facility accrue interest at a per annum rate equal to, at the Company's election, either LIBOR plus a margin of .5% to 2.0%, depending on the Company's consolidated total lease adjusted leverage ratio, or a base rate determined according to the highest of (a) the prime rate, (b) the federal funds rate plus 0.5% or (c) LIBOR plus 1.0%, plus a margin of 0.5% to 1.0%, depending on the Company's consolidated total lease adjusted leverage ratio.

An unused commitment fee at a rate of 0.125% applies to unutilized borrowing capacity under the Credit Facility.

The obligations under the Company's Credit Facility are guaranteed by certain subsidiaries of the Company and, subject to certain exceptions, secured by a continuing security interest in substantially all of the Company's assets. As of September 25, 2022, the Company had no borrowings under the Credit Facility, and was in compliance with all covenants under the Credit Facility.

6. Accrued Liabilities

The major classes of accrued liabilities at September 25, 2022 and December 26, 2021 are summarized as follows:

	September 25, 2022	December 26, 2021
Accrued compensation and related benefits	\$ 9,779	\$ 11,891
Other accruals	5,701	4,844
Property tax	3,289	2,782
Sales and use tax	2,880	2,806
Deferred gift card revenue	2,303	2,919
Total accrued liabilities	<u>\$ 23,952</u>	<u>\$ 25,242</u>

7. Stockholders' Equity**Share Repurchase Program**

On October 28, 2021, the Company's board of directors replaced the Company's previous \$30.0 million share repurchase program and approved a new share repurchase program under which the Company may repurchase up to \$50.0 million of its common shares outstanding. This repurchase program became effective on October 28, 2021 and expires on December 31, 2023.

The Company repurchased 557,576 shares for approximately \$12.8 million during the third quarter of 2022 and 1,334,388 shares for approximately \$33.8 million during the thirty-nine weeks ended September 25, 2022. Subsequent to the end of the third quarter, the Company repurchased an additional 327,354 shares for a total of \$7.8 million to complete the existing \$50.0 million repurchase program.

On October 27, 2022, the Company's Board of Directors approved a new share repurchase program under which the Company may repurchase up to \$0.0 million of its common shares outstanding through December 31, 2024. Repurchases of the Company's outstanding common stock will be made in accordance with applicable securities laws and may be made at

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

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.

8. Contingencies

The Company is 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 totaling 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 construction milestones are met and reduce our operating lease asset. They are amortized through the operating lease assets as reductions of rent expense over the lease term.

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 September 25, 2022, all of the Company's leases were operating.

Components of operating lease costs are included in occupancy, closed restaurant costs, restaurant pre-opening, general and administrative expense and property and equipment, net:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Lease cost:				
Operating lease cost	\$ 6,072	\$ 6,388	\$ 18,426	\$ 19,263
Variable lease cost	358	270	1,094	809
	<u>\$ 6,430</u>	<u>\$ 6,658</u>	<u>\$ 19,520</u>	<u>\$ 20,072</u>

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

Supplemental cash flow disclosures and other lease information:

	Thirty-Nine Weeks Ended	
	September 25, 2022	September 26, 2021
Cash paid for operating lease liabilities	\$ 23,377	\$ 28,272
Operating lease assets obtained (surrendered) in exchange for operating lease liabilities ^(a)	7,724	(1,998)

^(a) The thirty-nine weeks ended September 25, 2022 includes a \$7.4 million increase to operating lease assets and liabilities related to new lease commencements, a \$2.8 million increase due to extending remaining lives of certain leases, partially offset by \$2.5 million decrease as a result of termination of closed restaurant leases. The thirty-nine weeks ended September 26, 2021 includes a \$8.9 million decrease to operating lease assets and liabilities related to the termination of five closed restaurant leases and a purchase of one existing lease, partially offset by a \$6.9 million increase mainly due to extending remaining lives of certain leases.

The Company recorded \$1.0 million in additional deferred lease incentives during the thirty-nine weeks ended September 25, 2022 and no deferred lease incentives during the same period last year.

Supplemental balance sheet disclosures:

Operating leases	Classification	September 25, 2022	December 26, 2021
Right-of-use assets	Operating lease assets	\$ 149,036	\$ 148,444
Deferred rent payments	Operating lease liability	107	447
Current lease liabilities	Operating lease liability	12,296	12,556
		12,403	13,003
Deferred rent payments	Operating lease liability, less current portion	89	152
Non-current lease liabilities	Operating lease liability, less current portion	185,354	188,583
		185,443	188,735
Total lease liabilities		\$ 197,846	\$ 201,738
Weighted average remaining lease term (in years)		12.9	13.0
Weighted average discount rate		7.6 %	7.7 %

Future minimum rent payments for our operating leases for the next five years as of September 25, 2022 are as follows:

Fiscal year ending:

Remainder of 2022	\$ 6,696
2023	26,603
2024	25,960
2025	26,075
2026	25,095
Thereafter	198,824
Total minimum lease payments	309,253
Less: imputed interest	111,407
Present value of lease liabilities	\$ 197,846

As of September 25, 2022, operating lease payments exclude approximately \$3.8 million of legally binding minimum lease payments for leases signed but which we have not yet commenced payments.

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

10. Income Taxes

The following is a reconciliation of the expected federal income taxes at the statutory rates of 21%:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Expected income tax expense	\$ 1,209	\$ 1,512	\$ 4,300	\$ 5,664
State tax expense, net of federal benefit	199	230	767	935
FICA tip credit	(727)	(622)	(3,099)	(2,880)
Officers' compensation	49	101	206	474
Stock compensation	33	—	(94)	(1,396)
Other	4	(3)	19	10
Income tax expense	<u>\$ 767</u>	<u>\$ 1,218</u>	<u>\$ 2,099</u>	<u>\$ 2,807</u>

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 September 25, 2022, the Company believes that it will realize all of its deferred tax assets. Therefore, no valuation allowance has been recorded.

The Internal Revenue Service ("IRS") audited our tax return for the fiscal year 2016. In August 2020, the IRS issued a Notice of Proposed Adjustment to the Company asserting that the tenant allowances paid to us under our operating leases should be recorded as taxable income for years 2016 and prior. The Company disagrees with this position based on the underlying facts and circumstances as well as standard industry practice. The Company estimates if the IRS's position was upheld, the Company's tax liability associated with this position could range between \$0.5 million and \$2.5 million. In accordance with the provisions of FASB Accounting Standards Codification Subtopic 740-10, *Accounting for Uncertainty in Income Taxes*, the Company believes that it is more likely than not that the Company's position will ultimately be sustained upon further examination, including the resolution of the IRS's appeal or litigation processes, if any. As of September 25, 2022 and September 26, 2021, the Company recognized no liability for uncertain tax positions.

The tax years 2020, 2019 and 2018 remain open for IRS audit. The Company has received no notice of audit or any notifications from the IRS for any of the open tax years.

11. Impairment, Closed Restaurant and Other Costs

The Company reviews long-lived assets, such as property and equipment, operating lease assets 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 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

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

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, closed restaurant and other costs as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Property and equipment impairment	673	1,282	673	1,570
Total impairment charge	673	1,282	673	1,570
Closed restaurant costs	796	1,283	2,832	4,252
(Gain) loss on lease termination	(279)	1,408	(302)	1,899
Impairment, closed restaurant and other costs	\$ 1,190	\$ 3,973	\$ 3,203	\$ 7,721

Closed restaurant costs represent on-going expenses to maintain the closed restaurants, such as rent expense, utility and insurance among other costs required to maintain the remaining closed locations.

The Company terminated three of its closed restaurant lease agreements during both the thirteen weeks ended September 25, 2022 and September 26, 2021.

The Company terminated and/or subleased seven and five of its closed restaurant lease agreements during the thirty-nine weeks ended September 25, 2022 and September 26, 2021, respectively.

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 26, 2021 (our "Annual Report") and the unaudited condensed consolidated financial statements and the accompanying notes thereto included herein.

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 September 25, 2022, we operated 97 restaurants across 17 states.

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.

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 92 restaurants at September 25, 2022.
- **Comparable Restaurant Sales as compared to 2019.** Changes in comparable restaurant sales reflect changes in sales for the comparable group of restaurants over a specified period of time as compared to that time in fiscal year 2019. The comparable group of restaurants include the restaurants that were in the comparable base as of the end of fiscal year 2019. Our 2019 comparable restaurant base consisted of 81 restaurants.
- **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 changes in menu and price increases as well as 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.
- **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		Thirty-Nine Weeks Ended	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Total open restaurants (at end of period)	97	96	97	96
Total comparable restaurants (at end of period)	92	91	92	91
Average unit volumes (in thousands)	\$ 1,101	\$ 1,070	\$ 3,317	\$ 3,164
Change in comparable restaurant sales ⁽¹⁾	2.6 %	20.5 %	4.9 %	22.5 %
Average check	\$ 18.37	\$ 17.27	\$ 18.08	\$ 17.33

⁽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 2022 and 2021 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 and national 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, closed restaurant and other 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. Other costs consist of closed restaurant lease termination fees.

Depreciation. Depreciation principally includes depreciation on fixed assets, including equipment and leasehold improvements.

Interest (income) expense, net. Interest expense consists primarily of interest on our outstanding indebtedness, uncommitted credit facility fees and the amortization of our debt issuance costs reduced by interest income on money market fund investments.

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 gas prices and changes in other operating costs. 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.

Further, as a result of the lingering impact of the pandemic and other supply constraints, we have experienced and expect to continue to experience commodity inflation and certain food and supply shortages. The commodity inflation, which primarily relates to proteins, is mostly due to increased demand and increased costs incurred by our vendors related to higher labor, transportation, packaging and raw material costs. To date, we have been able to properly manage any food or supply shortages but have experienced increased costs. If our vendors are unable to fulfill their obligations under their contracts, we may encounter further shortages and/or higher costs to secure adequate supply and a possible loss of sales, any of which would harm our business. In addition, as our dining rooms have returned to operating without restriction, our ability to attract and retain restaurant-level employees has become more challenging due to an increasingly competitive job market throughout the country. To the extent these challenges persist, we could continue to experience increased labor costs and/or decreased sales.

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 September 25, 2022 Compared to Thirteen Weeks Ended September 26, 2021

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

	Thirteen Weeks Ended					
	September 25, 2022	% of Revenue	September 26, 2021	% of Revenue	\$ Change	% Change
Revenue	\$ 106,682	100.0 %	\$ 101,939	100.0 %	\$ 4,743	4.7 %
Costs and expenses:						
Cost of sales	29,149	27.3	24,972	24.5	4,177	16.7
Labor	32,378	30.4	29,776	29.2	2,602	8.7
Operating	17,441	16.3	15,001	14.7	2,440	16.3
Occupancy	7,490	7.0	7,351	7.2	139	1.9
General and administrative	6,700	6.3	6,996	6.9	(296)	(4.2)
Marketing	1,541	1.4	1,136	1.1	405	35.7
Restaurant pre-opening	266	0.2	349	0.3	(83)	(23.8)
Impairment, closed restaurant and other costs	1,190	1.1	3,973	3.9	(2,783)	(70.0)
Depreciation	5,102	4.9	5,093	5.0	9	0.2
Total costs and expenses	101,257	94.9	94,647	92.8	6,610	7.0
Income from operations	5,425	5.1	7,292	7.2	(1,867)	(25.6)
Interest (income) expense, net	(331)	(0.3)	74	0.1	(405)	(547.3)
Income before income taxes	5,756	5.4	7,218	7.1	(1,462)	(20.3)
Income tax expense	767	0.7	1,218	1.2	(451)	(37.0)
Net income	\$ 4,989	4.7 %	\$ 6,000	5.9 %	\$ (1,011)	(16.9)%

Revenue. Revenue increased \$4.7 million, or 4.7%, to \$106.7 million for the thirteen weeks ended September 25, 2022 from \$101.9 million for the comparable period in 2021. The increase was primarily related to incremental revenue from an additional 21 operating weeks provided by new restaurants opened during and subsequent to the third quarter of 2021. For the third quarter of 2021 and 2022, off-premise sales were approximately 26.0% of total revenue.

Comparable restaurant sales increased 2.6% for the thirteen weeks ended September 25, 2022 compared to the same period last year primarily driven by a 6.2% increase in average check, partially offset by a 3.6% decrease in average weekly customers. Comparable restaurant sales increased 0.5% as compared to the same period in fiscal 2019.

Cost of sales. Cost of sales as a percentage of revenue increased to 27.3% during the thirteen weeks ended September 25, 2022 compared to 24.5% during the comparable period in 2021 primarily driven by a substantial increase in the cost of beef and chicken as well as fresh produce, cheese and grocery items. Overall commodity inflation was approximately 21% during the quarter, partially offset by a menu price increase taken during the year.

Labor costs. Labor costs as a percentage of revenue increased to 30.4% during the thirteen weeks ended September 25, 2022 from 29.2% during the comparable period in 2021 largely as a result of hourly labor rate inflation of approximately 10% at comparable restaurants as well as an incremental improvement in our hourly staffing levels as compared to last year, partially offset by a menu price increase taken during the year.

Operating costs. Operating costs as a percentage of revenue increased to 16.3% during the thirteen weeks ended September 25, 2022 from 14.7% during the same period in 2021 mainly as a result of higher restaurant repair and maintenance costs of approximately 27 basis points ("bps"), an increase in credit card fees of approximately 16 bps, higher insurance premiums of approximately 42 bps as well as cost pressures on both utilities and to-go supplies of approximately 45 bps.

Occupancy costs. Occupancy costs as a percentage of revenue decreased to 7.0% during the thirteen weeks ended September 25, 2022 from 7.2% during the comparable period

in 2021 primarily as a result of sales leverage on fixed occupancy expenses.

General and administrative expenses. General and administrative expenses decreased to \$6.7 million for the thirteen weeks ended September 25, 2022 as compared to \$7.0 million for the same period in 2021. The decrease was primarily driven by a \$1.0 million decrease in performance-based bonuses, partially offset by a \$0.3 million increase in management salaries, a \$0.2 million increase in legal and professional services costs as well as a \$0.1 million increase in recruitment fees. As a percentage of revenues, general and administrative expenses decreased to 6.3% in the third quarter of 2022 from 6.9% in the third quarter of 2021.

Restaurant pre-opening costs. Restaurant pre-opening costs remained consistent at \$0.3 million for the thirteen weeks ended September 25, 2022 as compared to the same period in 2021.

Marketing. Marketing expense as a percentage of revenue increased to 1.4% during the thirteen weeks ended September 25, 2022 as compared to 1.1% for the same period in 2021 as the Company reinstated its digital advertising campaigns across the nation.

Impairment, closed restaurant and other costs. Impairment, closed restaurant and other costs decreased to \$1.2 million during the thirteen weeks ended September 25, 2022 from \$4.0 million during the comparable period in 2021. The decrease is largely driven by a \$0.5 million reduction in closed restaurants costs during fiscal 2022 as well as a \$2.3 million decrease in the loss on lease terminations as well as non-cash impairment charges recorded in relation to termination of closed restaurant operating leases. The Company terminated three of its closed restaurant operating leases during both the third quarter of 2022 and 2021. Closed restaurant costs include rent expense, utilities, insurance and other costs required to maintain the remaining closed locations.

Depreciation. Depreciation expense remained consistent at \$5.1 million during the thirteen weeks ended September 25, 2022 as compared to the same period in 2021.

Income tax expense. We recorded an income tax expense of \$0.8 million in the third quarter of 2022 compared to an income tax expense of \$1.2 million during the comparable period in 2021. The effective income tax rate for the third quarter of 2022 was 13.3% compared to 16.9% in the same period last year. The decrease in the effective tax rate was mainly attributed to an increase in the proportion of employee tax credits to estimated annual income.

In August 2020, the IRS issued a Notice of Proposed Adjustment to the Company asserting that the tenant allowances paid under our operating leases should be recorded as taxable income for years 2016 and prior. The Company disagrees with the IRS's position and believes that it is more likely than not that the Company's position will ultimately be sustained upon further examination, including the resolution of the IRS's appeal or litigation processes, if any. As a result, no further tax accrual was made. The Company estimates if the IRS's position was upheld, the Company's tax liability associated with the IRS's position could range between \$0.5 million and \$2.5 million.

Net income. As a result of the foregoing, net income was \$5.0 million during the thirteen weeks ended September 25, 2022 as compared to \$6.0 million during the comparable period in 2021.

Thirty-Nine Weeks Ended September 25, 2022 Compared to Thirty-Nine Weeks Ended September 26, 2021

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

	Thirty-Nine Weeks Ended					
	September 25, 2022	% of Revenue	September 26, 2021	% of Revenue	\$ Change	% Change
Revenue	\$ 318,114	100.0 %	\$ 297,802	100.0 %	\$ 20,312	6.8 %
Costs and expenses:						
Cost of sales	86,266	27.1	70,984	23.8	15,282	21.5
Labor	94,470	29.7	84,911	28.5	9,559	11.3
Operating	51,164	16.1	44,416	14.9	6,748	15.2
Occupancy	22,698	7.1	22,049	7.4	649	2.9
General and administrative	19,848	6.2	20,523	6.9	(675)	(3.3)
Marketing	4,568	1.4	3,351	1.1	1,217	36.3
Restaurant pre-opening	733	0.2	1,641	0.6	(908)	(55.3)
Impairment, closed restaurant and other costs	3,203	1.0	7,721	2.6	(4,518)	(58.5)
Depreciation	15,065	4.9	15,097	5.1	(32)	(0.2)
Total costs and expenses	298,015	93.7	270,693	90.9	27,322	10.1
Income from operations	20,099	6.3	27,109	9.1	(7,010)	(25.9)
Interest (income) expense, net	(378)	(0.1)	118	—	(496)	(420.3)
Income before income taxes	20,477	6.4	26,991	9.1	(6,514)	(24.1)
Income tax expense	2,099	0.6	2,807	1.0	(708)	(25.2)
Net income	\$ 18,378	5.8 %	\$ 24,184	8.1 %	\$ (5,806)	(24.0)%

Revenue. Revenue increased \$20.3 million, or 6.8%, to \$318.1 million for the thirty-nine weeks ended September 25, 2022 from \$297.8 million for the comparable period in 2021. The increase was primarily related to growth in customer traffic as the Company continued to relax indoor dining capacity restrictions throughout its restaurants, as well as incremental revenue from an additional 88 operating weeks provided by new restaurants opened during and subsequent to December 26, 2021. For the thirty-nine weeks ended September 25, 2022, off-premise sales were approximately 26.8% of total revenue compared to approximately 28.1% in the same period last year.

Comparable restaurant sales increased 4.9% for the thirty-nine weeks ended September 25, 2022 compared to the same period last year primarily driven by a 4.4% increase in average check and a 0.5% increase in average weekly customers. Comparable restaurant sales decreased 0.2% as compared to the same period in fiscal 2019. The comparable restaurant sales as compared to 2019 were negatively impacted by the Omicron variant outbreak as well as the severe winter weather across most of the Central United States during the first quarter of 2022.

Cost of sales. Cost of sales as a percentage of revenue increased to 27.1% during the thirty-nine weeks ended September 25, 2022 compared to 23.8% during the comparable period in 2021 primarily due to a substantial increase in the cost of beef and chicken as well as fresh produce, cheese and grocery items. Overall commodity inflation was approximately 21% during the thirty-nine weeks ended September 25, 2022, partially offset by a menu price increase taken during the year.

Labor costs. Labor costs as a percentage of revenue increased to 29.7% during the thirty-nine weeks ended September 25, 2022 from 28.5% during the comparable period in 2021 largely as a result of hourly labor rate inflation of approximately 11% at comparable restaurants as well as an incremental improvement in our hourly staffing levels as compared to last year, partially offset by a menu price increase taken during the year.

Operating costs. Operating costs as a percentage of revenue increased to 16.1% during the thirty-nine weeks ended September 25, 2022 from 14.9% during the same period in 2021 mainly as a result of higher restaurant repair and maintenance costs of approximately 23 bps, an increase in credit card fees of approximately 16 bps, insurance premiums of approximately 18 bps as well as cost pressures on both utilities and to-go supplies of approximately 38 bps.

Occupancy costs. Occupancy costs as a percentage of revenue decreased to 7.1% during the thirty-nine weeks ended September 25, 2022 from 7.4% during the comparable period in 2021 primarily as a result of sales leverage on fixed occupancy expenses and an increase in occupancy expenses related to new restaurants opened since last year.

General and administrative expenses. General and administrative expenses decreased to \$19.8 million for the thirty-nine weeks ended September 25, 2022 as compared to \$20.5 million for the same period in 2021. The decrease was primarily driven by a \$1.9 million decrease in performance-based bonuses, partially offset by a \$0.9 million increase in management salaries, \$0.2 million increase in recruitment fees as well as \$0.2 million increase in public company and other travel related expenses as travel resumed to close to pre-COVID-19 pandemic levels. As a percentage of revenues, general and administrative expenses decreased to 6.2% in the third quarter of 2022 from 6.9% in the third quarter of 2021.

Restaurant pre-opening costs. Restaurant pre-opening costs decreased to \$0.7 million for the thirty-nine weeks ended September 25, 2022 as compared to \$1.6 million for the same period in 2021 due to the timing of new store openings.

Marketing. Marketing expense as a percentage of revenue increased to 1.4% during the thirty-nine weeks ended September 25, 2022 as compared to 1.1% for the same period in 2021 as the Company reinstated its digital advertising campaigns across the nation.

Impairment, closed restaurant and other costs. Impairment, closed restaurant and other costs decreased to \$3.2 million during the thirty-nine weeks ended September 25, 2022 from \$7.7 million during the comparable period in 2021. The decrease is largely driven by a \$1.4 million reduction in closed restaurants costs during fiscal 2022 as well as a \$3.1 million decrease in the loss on lease terminations as well as non-cash impairment charges recorded in relation to termination of closed restaurant operating leases. The Company terminated and/or subleased seven of its closed restaurant leases during 2022 as compared to five of its closed restaurant leases during the same period last year. Closed restaurant costs include rent expense, utilities, insurance and other costs required to maintain the remaining closed locations.

Depreciation. Depreciation expense stayed consistent at \$15.1 million during the thirty-nine weeks ended September 25, 2022 and the same period last year.

Income tax expense. We recorded an income tax expense of \$2.1 million in the thirty-nine weeks ended September 25, 2022 compared to \$2.8 million during the comparable period in 2021. The effective income tax rate for the thirty-nine weeks ended September 25, 2022 was 10.3% compared to 10.4% in the same period last year.

In August 2020, the IRS issued a Notice of Proposed Adjustment to the Company asserting that the tenant allowances paid under our operating leases should be recorded as taxable income for years 2016 and prior. The Company disagrees with the IRS's position and believes that it is more likely than not that the Company's position will ultimately be sustained upon further examination, including the resolution of the IRS's appeal or litigation processes, if any. As a result, no further tax accrual was made. The Company estimates if the IRS's position was upheld, the Company's tax liability associated with the IRS's position could range between \$0.5 million and \$2.5 million.

Net income. As a result of the foregoing, net income was \$18.4 million during the thirty-nine weeks ended September 25, 2022 as compared to \$24.2 million during the comparable period in 2021.

Liquidity

Our principal sources of cash are cash and cash equivalents, net cash provided by operating activities, which includes tenant improvement allowances from our landlords, and borrowings, if any, under our \$35.0 million revolving credit facility as further discussed in Note 5, *Long-Term Debt*. 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 for development. We believe that our operating lease arrangements provide appropriate leverage of our capital structure in a financially efficient manner. We may also from time to time sell equity or engage in other capital markets transactions.

Our main requirements for liquidity are to support our working capital, restaurant expansion plans, ongoing maintenance of our existing restaurants, investment in infrastructure, obligations under our operating leases, interest payments on our debt, if any, 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.

The Company repurchased 557,576 shares for approximately \$12.8 million during the thirteen weeks ended September 25, 2022 and 1,334,388 shares for approximately \$33.8 million during the thirty-nine weeks ended September 25, 2022. Subsequent to the end of the third quarter, the Company repurchased an additional 327,354 shares for a total of \$7.8 million to complete the existing \$50.0 million repurchase program.

On October 27, 2022, the Company's Board of Directors approved a new share repurchase program under which the Company may repurchase up to \$50.0 million of its common shares outstanding through December 31, 2024. Repurchases of the Company's outstanding common stock will be made in accordance with applicable securities 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.

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, as described in Item 1A. "Risk Factors" of our Annual Report.

As of September 25, 2022, the Company had a strong financial position with \$84.1 million in cash and cash equivalents, no debt and \$35.0 million of availability under its revolving credit facility.

Cash Flows for Thirty-Nine Weeks Ended September 25, 2022 and September 26, 2021

The following table summarizes the statement of cash flows (in thousands):

	Thirty-Nine Weeks Ended	
	September 25, 2022	September 26, 2021
Net cash provided by operating activities	\$ 32,873	\$ 36,990
Net cash used in investing activities	(20,113)	(13,554)
Net cash used in financing activities	(35,255)	(5,146)
Net (decrease) increase in cash and cash equivalents	(22,495)	18,290
Cash and cash equivalents at beginning of year	106,621	86,817
Cash and cash equivalents at end of period	\$ 84,126	\$ 105,107

Operating Activities. Net cash provided by operating activities decreased \$4.1 million to \$32.9 million for the thirty-nine weeks ended September 25, 2022 from \$37.0 million during the comparable period in 2021. 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 mainly attributable to:

1. a \$5.8 million decrease in net income as well as a \$2.7 million decrease in non-cash adjustments to net income;
2. a \$1.1 million decrease in the accrued and other liabilities largely driven by higher expenditures around marketing, lower accrued bonuses and wages, partially offset by a repayment of deferred social security tax withholdings under the CARES Act during the third quarter of 2021; and
3. a \$1.2 million increase in prepaid expenses and other assets mainly as a result of higher equipment deposits as we are ramping up our construction going into fiscal year 2023.

This overall decrease of \$8.1 million, as detailed above, is partially offset by a \$5.2 million decrease in operating lease liabilities mainly driven by a reduction in rent on closed restaurants and lease termination payments as compared to last year.

Investing Activities. Net cash used in investing activities increased \$6.5 million to \$20.1 million for the thirty-nine weeks ended September 25, 2022 from \$13.6 million during the comparable period in 2021, mainly driven by the timing of our new restaurant construction as compared to the same period last year.

Financing Activities. Net cash used in financing activities increased \$30.2 million to \$35.3 million for the thirty-nine weeks ended September 25, 2022 from \$5.1 million during the comparable period in 2021 primarily due to a \$27.7 million increase in the repurchase of shares of our common stock as well as a \$3.7 million decrease in proceeds from the exercise of stock options.

As of September 25, 2022, 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.

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.

Off-Balance Sheet Arrangements

As of September 25, 2022, we are not involved in any variable interest entities transactions and do not otherwise have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

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

Recent Accounting Pronouncements

For information regarding new accounting pronouncements, see Note 2, *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 on Form 10-Q that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect the current views of our senior management with respect to future events and our financial performance. These statements include forward-looking statements with respect to our business and industry in general. Statements that include the words “expect,” “intend,” “plan,” “believe,” “project,” “forecast,” “estimate,” “may,” “should,” “anticipate” and similar statements of a future or forward looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise. 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 duration and severity of the COVID-19 pandemic and any new variants, and the effectiveness of actions taken, or actions that may be taken, by governmental authorities to contain the outbreak or treat its impact;
- the impact of negative economic factors, including inflation and the availability of credit;
- 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 and the resulting changes to pre-opening costs;
- we operate most of our restaurants under long-term leases which we may not be able to renew and would be obligated to perform even if we closed our restaurants;
- changes in economic conditions and consumer buying patterns;
- 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;
- changes in food availability and costs;
- food safety and food borne illness concerns;
- increased competition in the restaurant industry and the segments in which we compete;
- 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;
- 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 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;
- labor shortages and increases in our labor costs, including as a result of changes in government regulation;
- the loss of key members of our management team;
- the impact of legislation and regulation 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 laws and regulations, including with respect to liquor licenses and food services;
- the impact of litigation;
- the impact of impairment charges;
- the failure of our internal control over financial reporting;
- the impact of federal, state and local tax laws and the Internal Revenue Service disagreeing with our tax position;
- the effect of changes in accounting principles applicable to us;
- 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;
- volatility in the price of our common stock;
- the timing and amount of repurchases of our common stock;
- 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;
- our ability to raise capital in the future; 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. 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 September 25, 2022, 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

There have been no material changes from the risk factors previously disclosed in our Annual Report filed with the SEC.

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 September 25, 2022:

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⁾
June 27, 2022 through July 24, 2022	34,185	\$ 19.90	34,185	\$ 19.9
July 25, 2022 through August 21, 2022	230,242	23.04	230,242	14.6
August 22, 2022 through September 25, 2022	293,149	23.09	293,149	7.8
Total	557,576	\$ 22.87	557,576	

- (1) On November 4, 2021, we announced that our board of directors replaced our previous share repurchase program and approved a new share repurchase program under which we may repurchase up to \$50.0 million of our common stock. This repurchase program became effective on October 28, 2021 and expires on December 31, 2023. Subsequent to the end of the third quarter, the Company repurchased an additional 327,354 shares for a total of \$7.8 million to complete the existing \$50.0 million repurchase program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

On November 1, 2022, Starlette Johnson notified the Chairman of the Board of Directors of the Company of her decision to resign from the Board of Directors effective upon the completion of the board meeting on February 9, 2023.

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	Inline XBRL Instance Document (The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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: November 4, 2022

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 an 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: November 4, 2022

/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 an 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: November 4, 2022

/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 September 25, 2022, 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: November 4, 2022

/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)