

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 30, 2024

OR

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

For the transition period from to

Commission File Number 1-6836

FLANIGAN'S ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of
incorporation or organization)

59-0877638
(I.R.S. Employer
Identification Number)

5059 N.E. 18th Avenue, Fort Lauderdale, Florida
(Address of principal executive offices)

33334
(Zip Code)

(954) 377-1961
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$.10 par value	BDL	NYSE AMERICAN

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, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☒
Emerging growth company ☐

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 ☒

On May 13, 2024, 1,858,647 shares of Common Stock, \$0.10 par value per share, were outstanding.

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

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LIST XBRL DOCUMENTS

As used in this Quarterly Report on Form 10-Q, the terms "we," "us," "our," the "Company" and "Flanigan's" mean Flanigan's Enterprises, Inc. and its subsidiaries (unless the context indicates a different meaning).

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share and per share amounts)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
REVENUES:				
Restaurant food sales	\$ 29,356	\$ 27,113	\$ 55,711	\$ 51,880
Restaurant bar sales	7,740	7,281	15,203	14,269
Package store sales	10,140	8,659	20,742	18,062
Franchise related revenues	445	484	863	943
Rental income	313	218	566	431
Other operating income	75	48	124	79
	<u>48,069</u>	<u>43,803</u>	<u>93,209</u>	<u>85,664</u>
COSTS AND EXPENSES:				
Cost of merchandise sold:				
Restaurants	12,210	11,210	24,041	22,016
Package goods	7,492	6,212	15,372	13,196
Payroll and related costs	14,972	14,174	29,357	27,810
Occupancy costs	1,930	1,878	4,094	3,726
Selling, general and administrative expenses	8,780	7,618	16,868	15,008
	<u>45,384</u>	<u>41,092</u>	<u>89,732</u>	<u>81,756</u>
Income from Operations	<u>2,685</u>	<u>2,711</u>	<u>3,477</u>	<u>3,908</u>
OTHER INCOME (EXPENSE):				
Interest expense	(255)	(262)	(517)	(537)
Interest and other income	39	19	85	34
	<u>(216)</u>	<u>(243)</u>	<u>(432)</u>	<u>(503)</u>
Income before benefit (provision) for income taxes	2,469	2,468	3,045	3,405
Benefit (provision) for income taxes	55	(290)	73	(353)
Net Income	<u>2,524</u>	<u>2,178</u>	<u>3,118</u>	<u>3,052</u>
Less: Net Income attributable to noncontrolling interests	(582)	(281)	(1,067)	(531)
Net Income Attributable to Flanigan's Enterprises Inc. Stockholders	<u>\$ 1,942</u>	<u>\$ 1,897</u>	<u>\$ 2,051</u>	<u>\$ 2,521</u>
Net Income Per Common Share:				
Basic and Diluted	<u>\$ 1.04</u>	<u>\$ 1.02</u>	<u>\$ 1.10</u>	<u>\$ 1.36</u>
Weighted Average Shares and Equivalent Shares Outstanding				
Basic and Diluted	<u>1,858,647</u>	<u>1,858,647</u>	<u>1,858,647</u>	<u>1,858,647</u>

See accompanying notes to unaudited condensed consolidated financial statements.

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Net Income:	\$ 2,524	\$ 2,178	\$ 3,118	\$ 3,052

Other comprehensive income (loss):

Change in fair value of interest rate swap, net of tax	123	—	(215)	—
Total Comprehensive Income	<u>\$ 2,647</u>	<u>\$ 2,178</u>	<u>\$ 2,903</u>	<u>\$ 3,052</u>

See accompanying notes to unaudited condensed consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 30, 2024 (UNAUDITED) AND SEPTEMBER 30, 2023
(in thousands, except share and per share amounts)

ASSETS	March 30, 2024	September 30, 2023
Current Assets:		
Cash and cash equivalents	\$ 22,002	\$ 25,532
Prepaid income taxes	323	219
Other receivables	923	834
Inventories	7,387	7,198
Prepaid expenses	<u>3,493</u>	<u>1,511</u>
Total current assets	<u>34,128</u>	<u>35,294</u>
Property and equipment, net	82,353	74,724
Construction in progress	<u>—</u>	<u>5,416</u>
	<u>82,353</u>	<u>80,140</u>
Right-of-use assets, operating leases	<u>25,672</u>	<u>26,987</u>
Investment in limited partnerships	<u>270</u>	<u>252</u>
Other Assets:		
Liquor licenses	1,268	1,268
Deposits on property and equipment	50	887
Leasehold interests, net	82	63
Other	<u>562</u>	<u>878</u>
Total other assets	<u>1,962</u>	<u>3,096</u>
Total assets	<u>\$ 144,385</u>	<u>\$ 145,769</u>

See accompanying notes to unaudited condensed consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 30, 2024 (UNAUDITED) AND SEPTEMBER 30, 2023
(in thousands, except share and per share amounts)

(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY	March 30, 2024	September 30, 2023
Current Liabilities:		
Accounts payable and accrued expenses	\$ 7,748	\$ 9,271
Accrued compensation	2,165	1,808
Due to franchisees	4,730	4,977
Current portion of long-term debt	1,325	1,295
Operating lease liabilities, current	2,456	2,385
Deferred revenue	3,490	2,635
Total current liabilities	<u>21,914</u>	<u>22,371</u>
Long-Term Debt, Net of Current Portion	21,176	21,833
Operating lease liabilities, non-current	24,607	25,850
Deferred tax liabilities	<u>728</u>	<u>801</u>
Total liabilities	<u>68,425</u>	<u>70,855</u>
Commitments and contingencies		
Stockholders' equity:		
Flanigan's Enterprises, Inc. Stockholders' Equity		

Common stock, \$.10 par value, 5,000,000 shares authorized; 4,197,642 shares issued; 1,858,647 shares outstanding	420	420
Capital in excess of par value	6,240	6,240
Retained earnings	60,298	58,247
Accumulated other comprehensive income	180	395
Treasury stock, at cost, 2,338,995 shares	(6,077)	(6,077)
Total Flanigan's Enterprises, Inc. stockholders' equity	61,061	59,225
Noncontrolling interests	14,899	15,689
Total stockholders' equity	75,960	74,914
Total liabilities and stockholders' equity	<u>\$ 144,385</u>	<u>\$ 145,769</u>

See accompanying notes to unaudited condensed consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS
OF STOCKHOLDERS' EQUITY
FOR THE TWENTY-SIX WEEKS ENDED MARCH 30, 2024 AND APRIL 1, 2023
(in thousands, except share amounts)

	Common Stock		Capital in Excess of Par Value	AOCI	Retained Earnings	Treasury Stock		Noncontrolling Interests	Total
	Shares	Amount	Par Value			Shares	Amount		
Balance, September 30, 2023	4,197,642	\$ 420	\$ 6,240	\$ 395	\$ 58,247	2,338,995	\$ (6,077)	\$ 15,689	\$ 74,914
Net income	—	—	—	—	109	—	—	485	594
Other comprehensive loss	—	—	—	(338)	—	—	—	—	(338)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(990)	(990)
Balance, December 30, 2023	4,197,642	\$ 420	\$ 6,240	\$ 57	\$ 58,356	2,338,995	\$ (6,077)	\$ 15,184	\$ 74,180
Net income	—	—	—	—	1,942	—	—	582	2,524
Other comprehensive income	—	—	—	123	—	—	—	—	123
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(867)	(867)
Balance, March 30, 2024	<u>4,197,642</u>	<u>\$ 420</u>	<u>\$ 6,240</u>	<u>\$ 180</u>	<u>\$ 60,298</u>	<u>2,338,995</u>	<u>\$ (6,077)</u>	<u>\$ 14,899</u>	<u>\$ 75,960</u>
	Common Stock		Capital in Excess of Par Value	AOCI	Retained Earnings	Treasury Stock		Noncontrolling Interests	Total
	Shares	Amount	Par Value			Shares	Amount		
Balance, October 1, 2022	4,197,642	\$ 420	\$ 6,240	\$ —	\$ 55,086	2,338,995	\$ (6,077)	\$ 17,671	\$ 73,340
Net income	—	—	—	—	624	—	—	250	874
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(829)	(829)
Balance, December 31, 2022	4,197,642	\$ 420	\$ 6,240	\$ —	\$ 55,710	2,338,995	\$ (6,077)	\$ 17,092	\$ 73,385
Net income	—	—	—	—	1,897	—	—	281	2,178
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(789)	(789)
Balance, April 1, 2023	<u>4,197,642</u>	<u>\$ 420</u>	<u>\$ 6,240</u>	<u>\$ —</u>	<u>\$ 57,607</u>	<u>2,338,995</u>	<u>\$ (6,077)</u>	<u>\$ 16,584</u>	<u>\$ 74,774</u>

See accompanying notes to unaudited condensed consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE TWENTY-SIX WEEKS ENDED MARCH 30, 2024 AND APRIL 1, 2023
(in thousands)

	March 30, 2024	April 1, 2023
Cash Flows from Operating Activities:		
Net income	\$ 3,118	\$ 3,052
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	1,992	1,668
Amortization of leasehold interests	12	11
Amortization of operating lease right-of-use assets	1,315	1,227
Loss on abandonment of property and equipment	54	14
Amortization of deferred loan costs	18	20
Income from unconsolidated limited partnership	(30)	(8)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Other receivables	(89)	(254)
Prepaid income taxes	(104)	148
Inventories	(189)	(66)
Prepaid expenses	(1,982)	(1,229)

Other assets	28	12
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,446)	92
Operating lease liabilities	(1,172)	(1,105)
Due to franchisees	(247)	174
Deferred revenue	855	438
Net cash and cash equivalents provided by operating activities	2,133	4,194
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,519)	(1,949)
Purchase of construction in progress	(1,594)	(1,740)
Deposits on property and equipment	(84)	(1,631)
Purchase of leaseholds	(31)	—
Proceeds from sale of property and equipment	55	28
Distributions from unconsolidated limited partnership	12	19
Net cash and cash equivalents used in investing activities	(3,161)	(5,273)

See accompanying notes to unaudited condensed consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE TWENTY-SIX WEEKS ENDED MARCH 30, 2024 AND APRIL 1, 2023
(in thousands)

(Continued)

	March 30, 2024	April 1, 2023
Cash Flows from Financing Activities:		
Payments on long-term debt	(645)	(1,677)
Distributions to limited partnerships' noncontrolling interests	(1,857)	(1,618)
Net cash and cash equivalents used in financing activities	(2,502)	(3,295)
Net Increase in Cash and Cash Equivalents	(3,530)	(4,374)
Cash and Cash Equivalents - Beginning of Period	25,532	42,138
Cash and Cash Equivalents - End of Period	\$ 22,002	\$ 37,764
Supplemental Disclosure for Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 517	\$ 537
Income taxes	\$ 31	\$ 206
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Decrease in fair value of interest rate swap	\$ 288	\$ —
	\$ 206	\$ 114
Purchase deposits capitalized to property and equipment		
Purchase deposits transferred to construction in progress	\$ 715	\$ 439
Construction in progress transferred to property and equipment	\$ 7,676	\$ 3,341
Property and equipment and construction in progress in accounts payable and accrued expenses	\$ 280	\$ 177

See accompanying notes to unaudited condensed consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THIRTEEN AND TWENTY-SIX WEEKS ENDED MARCH 30, 2024 AND APRIL 1, 2023

(1) BASIS OF PRESENTATION:

The accompanying condensed consolidated financial information for the twenty-six weeks ended March 30, 2024 and April 1, 2023 is unaudited. Financial information as of September 30, 2023 has been derived from the audited financial statements of Flanigan's Enterprises, Inc., a Florida corporation, together with its subsidiaries, (the "Company", "we", "our", "ours" and "us" as the context requires), but does not include all disclosures required by accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial information for the periods indicated have been included. For further information regarding the Company's accounting policies, refer to the Consolidated Financial Statements and related notes included in the Company's Annual Report on Form 10-K for the year ended September 30, 2023. Operating results for interim periods are not necessarily indicative of results to be expected for a full year.

The condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and the accounts of the ten limited partnerships in which we act as general partner and have controlling interests. All intercompany balances and transactions have been eliminated. Non-controlling interest represents the limited partners' proportionate share of the net assets and results of operations of the ten limited partnerships.

The consolidated financial statements and related disclosures for condensed interim reporting are prepared in conformity with accounting principles generally accepted in the United States. We are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the periods reported. These estimates include assessing the estimated useful lives of tangible assets, the recognition of deferred tax assets and liabilities and estimates relating to the calculation of incremental borrowing rates and length of leases associated with right-of-use assets and corresponding liabilities and estimates relating to loyalty reward programs. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in our condensed consolidated financial statements in the period they are determined to be necessary. Although these estimates are based on our knowledge of current events and actions we may undertake in the future, they may ultimately differ from actual results.

(2) EARNINGS PER SHARE:

We follow Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 260 - "*Earnings per Share*". This section provides for the calculation of basic and diluted earnings per share. The data on Page 1 shows the amounts used in computing earnings per share. As of March 30, 2024 and April 1, 2023, no stock options or other potentially dilutive securities were outstanding and, accordingly, there is no difference in basic and diluted per share amounts.

(3) RECENTLY ADOPTED AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:

Adopted

The FASB issued guidance, Accounting Standards Update (ASU) 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which provides a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This guidance was effective for the Company in the first quarter of our fiscal year 2024; however, after performing a thorough analysis the Company concluded there was no material impact from the adoption of this ASU.

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Recently Issued

The FASB issued guidance, ASU 2022-06 Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides an optional expedient and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In response to the concerns about structural risks of interbank offered rates ("IBORs") and, particularly, the risk of cessation of the London interbank offered rate ("LIBOR"), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction based and less susceptible to manipulation. This ASU provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. LIBOR rates were published until June 30, 2023. All principal and interest of the Term Loan was paid during the first quarter of our fiscal year 2023, so the discontinuance of LIBOR rates did not impact us.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which updates reportable segment disclosure requirements, primarily through requiring enhanced disclosures about significant segment expenses and information used to assess segment performance. This ASU will be effective for the Company in our fiscal year 2025, with the guidance applied retrospectively to all periods presented in the financial statements. Early adoption is permitted. We are currently evaluating the impact the adoption of the new accounting guidance will have on our segment disclosures.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which requires enhanced income tax disclosures, primarily related to standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. This ASU will be effective for the Company in our fiscal year 2026, with the guidance applied either prospectively or retrospectively. Early adoption is permitted. We are currently evaluating the impact the adoption of the new accounting guidance will have on our tax disclosures.

There are no other recently issued accounting pronouncements that we have not yet adopted that we believe may have a material effect on our condensed consolidated financial statements.

(4) INCOME TAXES:

We account for our income taxes using FASB ASC Topic 740, "*Income Taxes*", which requires among other things, recognition of future tax benefits measured at enacted rates attributable to deductible temporary differences between financial statement and income tax basis of assets and liabilities and to tax net operating loss carryforwards and tax credits to the extent that realization of said tax benefits is more likely than not. The Company's income tax expense computed at the statutory federal rate of 21% differs from its effective tax rate primarily due to state income taxes, income tax credits, and noncontrolling interests.

(5) PURCHASE OF LEASEHOLD / SUB-LEASEHOLD INTERESTS:

In 1974, we sold the underlying ground lease to the real property located at 8600 Biscayne Boulevard, El Portal, Florida to related and unrelated third parties and simultaneously subleased it back. We operate our retail package liquor store (Store #47) and warehouse from this location. In the first quarter of our fiscal year 2024, we re-purchased a 4% interest in the underlying ground lease, as well as the sublease agreement from an unrelated third party for \$31,000 and currently own 56% of each lease. As a result, we now only pay 44% of the rent due under the sublease agreement.

(6) DEBT:

In February 2023, we determined that as of December 31, 2022, we did not meet the required Post-Distribution Basic Fixed Charge Coverage Ratio (the "Post-Distribution/Fixed Charge Covenant") contained in each of our six (6) loans (the "Institutional Loans") with an unrelated third party institutional lender (the "Institutional Lender"). On February 23, 2023, we received from the Institutional Lender a written waiver of the non-compliance with the Post-Distribution/Fixed Charge Covenant (the "Covenant Non-Compliance"), pursuant to which, among other things, the Institutional Lender waived (1) the non-compliance as of December 31, 2022 and (2) their right to exercise certain remedies under the Institutional Loans, including the right to accelerate the indebtedness owed by us thereunder, resulting in the indebtedness under the Institutional Loans to be immediately due and payable, which would have a material adverse effect on the Company. The Post-Distribution/Fixed Charge Covenant requires we maintain a ratio of at least 1.15 to 1.00 and for the twelve (12) months ended March 30, 2024 our ratio was calculated to be 1.57 to 1.00. As of March 30, 2024 we are in compliance with all of our loan covenant ratios and as a result, our classification of debt is appropriate.

For further information regarding the Company's long-term debt, refer to the Consolidated Financial Statements and related notes included in the Company's Annual Report on Form 10-K for the year ended September 30, 2023.

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(7) INSURANCE PREMIUMS:

During the first quarter of our fiscal year 2024, for the policy year commencing December 30, 2023, we obtained coverage on the following property, general liability, excess liability and terrorism policies with premiums totaling approximately \$3.920 million, of which property, general liability, excess liability and terrorism insurance includes coverage for our franchises (of approximately \$850,000), which are not included in our condensed consolidated

financial statements:

(i) For the policy year beginning December 30, 2023, our general liability insurance, excluding limited partnerships, is a one (1) year policy with our insurance carriers. For the policy commencing December 30, 2023, the \$10,000 self-insured retention per occurrence increases to \$ 50,000 for us but remains the same at \$10,000 for the limited partnerships. The one (1) year general liability insurance premium is in the amount of \$ 455,000;

(ii) For the policy year beginning December 30, 2023, our general liability insurance for our limited partnerships is a one (1) year policy with our insurance carriers. The one (1) year general liability insurance premium is in the amount of \$1,055,000;

(iii) For the policy year beginning December 30, 2023, our automobile insurance is a one (1) year policy. The one (1) year automobile insurance premium is in the amount of \$211,000;

(iv) For the policy year beginning December 30, 2023, our property insurance is a one (1) year policy. The one (1) year property insurance premium is in the amount of \$1,416,000;

(v) For the policy year beginning December 30, 2023, our excess liability insurance is a one (1) year policy. The one (1) year excess liability insurance premium is in the amount of \$764,000;

(vii) For the policy year beginning December 30, 2023, our terrorism insurance is a one (1) year policy. The one (1) year terrorism insurance premium is in the amount of \$19,000.

We paid the \$3,920,000 annual premium amounts on January 4, 2024, which includes coverage for our franchises which are not included in our condensed consolidated financial statements.

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(8) COMMITMENTS AND CONTINGENCIES:

Construction Contract

2505 N. University Drive, Hollywood, Florida (Store #19 – “Flanigan’s”)

During the first quarter of our fiscal year 2022, we entered into an agreement with a third party unaffiliated general contractor to re-build our restaurant located at 2505 N. University Drive, Building B, Hollywood, Florida (Store#19), which had been closed since October 2, 2018 due to damage caused by a fire and re-opened March 26, 2024. The contract totaled \$2,515,000 and through the end of the second quarter of our fiscal year 2024 we agreed to change orders increasing the total contract price by \$1,445,000 to \$3,960,000, of which \$3,596,000 has been paid through March 30, 2024.

Leases

To conduct certain of our operations, we lease restaurant and package liquor store space in South Florida from unrelated third parties. Our leases have remaining lease terms of up to 48 years, some of which include options to renew and extend the lease terms for up to an additional 26 years. We presently intend to renew some of the extension options available to us and for purposes of computing the right-of-use assets and lease liabilities required by ASC 842, we have incorporated into all lease terms which may be extended, an additional term of the lesser of (i) the amount of years the lease may be extended; or (ii) 15 years.

Following adoption of ASC 842 during our fiscal year ended October 3, 2020, common area maintenance and property taxes are not considered to be lease components.

The components of lease expense are as follows:

	(in thousands)	
	13 Weeks Ended March 30, 2024	13 Weeks Ended April 1, 2023
Operating Lease Expense, which is included in occupancy costs	\$ 949	\$ 956

	(in thousands)	
	26 Weeks Ended March 30, 2024	26 Weeks Ended April 1, 2023
Operating Lease Expense, which is included in occupancy costs	\$ 1,949	\$ 1,913

	(in thousands)	
	March 30, 2024	September 30, 2023
Classification on the Condensed Consolidated Balance Sheets		
Assets		
Operating lease assets	\$ 25,672	\$ 26,987
Liabilities		
Operating lease current liabilities	\$ 2,456	\$ 2,385
Operating lease non-current liabilities	\$ 24,607	\$ 25,850
Weighted Average Remaining Lease Term:		
Operating leases	9.69	9.86
Weighted Average Discount:		
Operating leases	4.75%	4.75%

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The following table outlines the minimum future lease payments for the next five years and thereafter:

For fiscal year	(in thousands) Operating
-----------------	-----------------------------

2024 (26 weeks remaining)	\$	1,808
2025		3,598
2026		3,432
2027		3,335
2028		3,346
Thereafter		21,808
Total lease payments (undiscounted cash flows)		37,327
Less imputed interest		(10,264)
Total operating lease liabilities	\$	27,063

Litigation

Our sale of alcoholic beverages subjects us to “dram shop” statutes, which allow an injured person to recover damages from an establishment that served alcoholic beverages to an intoxicated person. If we receive a judgment substantially in excess of our insurance coverage or if we fail to maintain our insurance coverage, our business, financial condition, operating results or cash flows could be materially and adversely affected. We currently have no “dram shop” claims.

From time to time, we are a party to various other claims, legal actions and complaints arising in the ordinary course of our business, including claims resulting from “slip and fall” accidents, claims under federal and state laws governing access to public accommodations, employment-related claims and claims from guests alleging illness, injury or other food quality, health or operational concerns. It is our opinion, after consulting with legal counsel, that all such matters are without merit or involve such amounts that an unfavorable disposition, some of which is covered by insurance, would not have a material adverse effect on our financial position or results of operations.

(9) CORONAVIRUS PANDEMIC:

In March 2020, a novel strain of coronavirus was declared a global pandemic and a National Public Health Emergency. The novel coronavirus pandemic, (“COVID-19”) adversely affected and will, in all likelihood continue to adversely affect, our restaurant operations and financial results for the foreseeable future. The Department of Health and Human Services (HHS) permitted the federal Public Health Emergency for COVID-19 (PHE) declared by the Secretary of the Department of Health and Human Services (Secretary) under Section 319 of the Public Health Service (PHS) Act to expire at the end of the day on May 11, 2023.

COVID-19 has had a material adverse effect on our access to supplies or labor and there can be no assurance that there will not be a significant adverse impact on our supply chain or access to labor in the future. We are actively monitoring our food suppliers to assess how they are managing their operations to mitigate supply flow and food safety risks. To ensure we mitigate potential supply availability risk, we are building additional inventory back stock levels when appropriate and we have also identified alternative supply sources in key product categories including but not limited to food, sanitation and safety supplies.

(10) BUSINESS SEGMENTS:

We operate in two reportable segments – package stores and restaurants. The operation of package stores consists of retail liquor sales and related items. The operation of restaurants consists of restaurant food and bar sales. Operating income is total revenue less cost of merchandise sold and operating expenses relative to each segment. In computing operating income, none of the following items have been included: interest expense, other non-operating income and expenses and income taxes. Identifiable assets by segment are those assets that are used in our operations in each segment. Corporate assets are principally cash and real property, improvements, furniture, equipment and vehicles used at our corporate headquarters. We do not have any operations outside of the United States and transactions between restaurants and package liquor stores are not material. Additionally, we note that the Income from Operations presentation for restaurants and corporate results include items that are eliminated in consolidation. Specifically, we do not reclassify Royalty Fees, Partnership Income, Rental Income and Management Fees from the Corporate segment to our Restaurants segment due to the fact that our Chief Operating Decision Maker evaluates each segment on a standalone basis. Reclassifying these elimination amounts would not provide an accurate representation of each segment's Income from Operations. Information concerning the revenues and operating income for the thirteen weeks and twenty-six weeks ended March 30, 2024 and April 1, 2023, and identifiable assets for the two reportable segments in which we operate, are shown in the following tables.

	(in thousands)	
	Thirteen Weeks Ended March 30, 2024	Thirteen Weeks Ended April 1, 2023
Operating Revenues:		
Restaurants	\$ 37,096	\$ 34,394
Package stores	10,140	8,659
Other revenues	833	750
Total operating revenues	\$ 48,069	\$ 43,803
Income from Operations Reconciled to Income After Income Taxes and Net Income Attributable to Noncontrolling Interests		
Restaurants	\$ 2,813	\$ 3,001
Package stores	1,127	641
	3,940	3,642
Corporate expenses, net of other revenues	(1,255)	(931)
Income from Operations	2,685	2,711
Interest expense	(255)	(262)
Interest and Other income	39	19
Income before benefit (provision) for Income Taxes	2,469	2,468
Benefit (provision) for Income Taxes	55	(290)
Net Income	2,524	2,178
Net Income Attributable to Noncontrolling Interests	(582)	(281)
Net Income Attributable to Flanigan's Enterprises, Inc. Stockholders	\$ 1,942	\$ 1,897
Depreciation and Amortization:		

Restaurants	\$	758	\$	631
Package stores		<u>125</u>		<u>119</u>
		883		750
Corporate		<u>135</u>		<u>108</u>
Total Depreciation and Amortization	\$	<u>1,018</u>	\$	<u>858</u>
Capital Expenditures:				
Restaurants	\$	2,494	\$	2,299
Package stores		<u>19</u>		<u>112</u>
		2,513		2,411
Corporate		<u>423</u>		<u>332</u>
Total Capital Expenditures	\$	<u>2,936</u>	\$	<u>2,743</u>

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(in thousands)				
		Twenty-Six Weeks Ended March 30, 2024		Twenty-Six Weeks Ended April 1, 2023
Operating Revenues:				
Restaurants	\$	70,914	\$	66,149
Package stores		<u>20,742</u>		<u>18,062</u>
Other revenues		1,553		1,453
Total operating revenues	\$	<u>93,209</u>	\$	<u>85,664</u>
Income from Operations Reconciled to Income After Income Taxes and Net Income Attributable to Noncontrolling Interests				
Restaurants	\$	3,984	\$	3,780
Package stores		<u>1,759</u>		<u>1,440</u>
		5,743		5,220
Corporate expenses, net of other revenues		<u>(2,266)</u>		<u>(1,312)</u>
Income from Operations		3,477		3,908
Interest expense		<u>(517)</u>		<u>(537)</u>
Interest and Other income		85		34
Income before benefit (provision) for Income Taxes	\$	3,045	\$	3,405
Benefit (provision) for Income Taxes		<u>73</u>		<u>(353)</u>
Net Income		3,118		3,052
Net Income Attributable to Noncontrolling Interests		<u>(1,067)</u>		<u>(531)</u>
Net Income Attributable to Flanigan's Enterprises, Inc. Stockholders	\$	<u>2,051</u>	\$	<u>2,521</u>
Depreciation and Amortization:				
Restaurants	\$	1,486	\$	1,257
Package stores		<u>252</u>		<u>209</u>
		1,738		1,466
Corporate		<u>266</u>		<u>213</u>
Total Depreciation and Amortization	\$	<u>2,004</u>	\$	<u>1,679</u>
Capital Expenditures:				
Restaurants	\$	3,638	\$	3,246
Package stores		<u>66</u>		<u>462</u>
		3,704		3,708
Corporate		<u>610</u>		<u>534</u>
Total Capital Expenditures	\$	<u>4,314</u>	\$	<u>4,242</u>

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(in thousands)				
		March 30, 2024		September 30, 2023
Identifiable Assets:				
Restaurants	\$	78,544	\$	76,575
Package store		<u>23,653</u>		<u>23,714</u>
		102,197		100,289
Corporate		<u>42,188</u>		<u>45,480</u>
Consolidated Totals	\$	<u>144,385</u>	\$	<u>145,769</u>

(11) SUBSEQUENT EVENTS:

Subsequent to the end of the second quarter of our fiscal year 2024, we entered into an agreement with Oracle, an unrelated third party vendor for the licensing and support of NetSuite, a cloud-based Oracle ERP solution to replace our general ledger. The agreement is for a period of five years at a fixed rate of approximately \$40,000 annually, with a cap on the percentage increase to our fees for our options to extend the term of the agreement for years six and seven. The fee for the five year agreement is financed by the unrelated third party vendor over a period of five years, without interest and a deferral of any payments for the first six months of the agreement. We do not expect the implementation of NetSuite to be complete and functional until the second quarter of our fiscal year 2025.

In addition to the above, subsequent to the end of the second quarter of our fiscal year 2024, we also entered into an agreement with an unrelated third party implementation partner for the implementation of NetSuite. The fee for its implementation services will be approximately \$237,000, payable as

hourly services are performed and billed.

Subsequent events have been evaluated through the date the unaudited condensed financial statements were issued and except as disclosed above, no further events required adjustments or disclosure.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY NOTE REGARDING LOOKING FORWARD STATEMENTS

Reported financial results may not be indicative of the financial results of future periods. All non-historical information contained in the following discussion constitutes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Words such as "anticipates, appears, expects, trends, intends, hopes, plans, believes, seeks, estimates, may, will," and variations of these words or similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve a number of risks and uncertainties, including but not limited to the effect of the novel coronavirus pandemic and related "shelter-in-place" orders and other governmental mandates ("COVID 19"), customer demand and competitive conditions. Factors that could cause actual results to differ materially are included in, but not limited to, those identified in the "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our periodic reports, including our Annual Report on Form 10-K for the fiscal year ended September 30, 2023. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may reflect events or circumstances after the date of this report.

OVERVIEW

As of March 30, 2024, Flanigan's Enterprises, Inc., a Florida corporation, together with its subsidiaries ("we", "our", "ours" and "us" as the context requires), (i) operates 32 units, consisting of restaurants, package liquor stores, combination restaurant/package liquor stores and a sports bar that we either own or have operational control over and partial ownership in; and franchises an additional five units, consisting of two restaurants (one of which we operate) and three combination restaurant/package liquor stores. The table below provides information concerning the type (i.e. restaurant, sports bar, package liquor store or combination restaurant/package liquor store) and ownership of the units (i.e. whether (i) we own 100% of the unit; (ii) the unit is owned by a limited partnership of which we are the sole general partner and/or have invested in; or (iii) the unit is franchised by us), as of March 30, 2024 and as compared to September 30, 2023. With the exception of "The Whale's Rib," a restaurant we operate but do not own, and "Brendan's Sports Pub" a restaurant/bar we own, all of the restaurants operate under our service marks "Flanigan's Seafood Bar and Grill" or "Flanigan's" and all of the package liquor stores operate under our service marks "Big Daddy's Liquors" or "Big Daddy's Wine & Liquors".

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TYPES OF UNITS	March 30, 2024	September 30, 2023	
Company Owned:			
Combination package liquor store and restaurant	2	3	(1)
Restaurant only, including sports bar	9	8	(1)
Package liquor store only	9	8	(1)
Company Managed Restaurants Only:			
Limited partnerships	10	10	
Franchise	1	1	
Unrelated Third Party	1	1	
Total Company Owned/Operated Units	32	31	
Franchised Units	5	5	(2)

Notes:

(1) During the first quarter of our fiscal year 2019, our combination package liquor store and restaurant located at 2505 N. University Drive, Hollywood, Florida (Store #19), was damaged by a fire which caused it to be closed since the first quarter of our fiscal year 2019. During the first quarter of our fiscal year 2023, we opened our newly built stand-alone package liquor store on this site (2505 N. University Drive, Building A, Hollywood, Florida) (Store #19P), replacing our package liquor store destroyed by fire and previously operating here. Store #19P is now reflected in the above chart as a stand-alone liquor store, rather than as a combination unit. Store #19R, a stand-alone restaurant building on this site, (2505 N. University Drive, Building B, Hollywood, Florida) opened on March 26, 2024 (adjacent to the package liquor store), and replaced our restaurant destroyed by fire and previously operating here. Store #19R is now reflected in the above chart as a stand-alone restaurant, rather than as a combination unit.

(2) We operate a restaurant for one (1) franchisee. This unit is included in the table both as a franchised restaurant, as well as a restaurant operated by us.

Franchise Financial Arrangement: In exchange for our providing management and related services to our franchisees and granting them the right to use our service marks "Flanigan's Seafood Bar and Grill" and "Big Daddy's Liquors", our franchisees (four of which are franchised to members of the family of our Chairman of the Board, officers and/or directors), are required to (i) pay to us a royalty equal to 1% of gross package store sales and 3% of gross restaurant sales; and (ii) make advertising expenditures equal to between 1.5% to 3% of all gross sales based upon our actual advertising costs allocated between stores, pro-rata, based upon gross sales.

Limited Partnership Financial Arrangement: We manage and control the operations of all restaurants owned by limited partnerships, except the Fort Lauderdale, Florida restaurant which is owned by a related franchisee. Accordingly, the results of operations of all limited partnership owned restaurants, except the Fort Lauderdale, Florida restaurant are consolidated into our operations for accounting purposes. The results of operations of the Fort Lauderdale, Florida restaurant are accounted for by us utilizing the equity method of accounting. In general, until the investors' cash investment in a limited partnership (including any cash invested by us and our affiliates) is returned in full, the limited partnership distributes to the investors annually out of available cash from the operation of the restaurant up to 25% of the cash invested in the limited partnership, with no management fee paid to us. Any available cash in excess of the 25% of the cash invested in the limited partnership distributed to the investors annually, is paid one-half (½) to us as a management fee, with the balance distributed to the investors as a return of capital. Once the investors in the limited partnership have received, in full, amounts equal to their cash invested, an annual management fee is payable to us equal to one-half (½) of cash available to the limited partnership, with the other one half (½) of available cash distributed to the investors (including us and our affiliates), as a profit distribution. As of March 30, 2024, all limited partnerships, with the exception of the 2022 Sunrise restaurant (Store #85), which opened for business in March 2022 and the 2023 Miramar restaurant (Store #25), which opened for business in April 2023, have returned all cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by the limited partnership. In addition to receipt of distributable amounts from the limited partnerships, we receive a fee equal to 3% of gross sales for use of the service mark "Flanigan's Seafood Bar and Grill" or "Flanigan's".

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RESULTS OF OPERATIONS

-----Thirteen Weeks Ended-----				
	March 30, 2024		April 1, 2023	
	Amount (In thousands)	Percent	Amount (In thousands)	Percent
Restaurant food sales	\$29,356	62.14	\$27,113	62.98
Restaurant bar sales	7,740	16.39	7,281	16.91
Package store sales	10,140	21.47	8,659	20.11
Total Sales	\$ 47,236	100.00	\$ 43,053	100.00
Franchise related revenues	445		484	
Rental income	313		218	
Other operating income	75		48	
Total Revenue	\$ 48,069		\$ 43,803	

-----Twenty-Six Weeks Ended-----				
	March 30, 2024		April 1, 2023	
	Amount (In thousands)	Percent	Amount (In thousands)	Percent
Restaurant food sales	\$55,711	60.78	\$51,880	61.61
Restaurant bar sales	15,203	16.59	14,269	16.94
Package store sales	20,742	22.63	18,062	21.45
Total Sales	\$ 91,656	100.00	\$ 84,211	100.00
Franchise related revenues	863		943	
Rental income	566		431	
Other operating income	124		79	
Total Revenue	\$ 93,209		\$ 85,664	

Comparison of Thirteen Weeks Ended March 30, 2024 and April 1, 2023.

Revenues. Total revenue for the thirteen weeks ended March 30, 2024 increased \$4,266,000 or 9.74% to \$48,069,000 from \$43,803,000 for the thirteen weeks ended April 1, 2023 due primarily to increased package liquor store and restaurant sales, increased menu prices, revenue generated from the opening of our limited partnership owned restaurant in Miramar, Florida (Store #25) in April 2023, and the opening of the package liquor store in Miramar, Florida (Store #24) in March 2023. Effective March 26, 2023 we increased menu prices for our food offerings to target an increase to our food revenues of approximately 2.06% and effective March 19, 2023 we increased menu prices for our bar offerings to target an increase to our bar revenues of approximately 5.65% annually, to offset higher food costs and higher overall expenses (collectively the "Recent Price Increases"). Prior to these increases, we previously raised menu prices in the first quarter of our fiscal year 2022.

Restaurant Food Sales. Restaurant revenue generated from the sale of food, including non-alcoholic beverages, at restaurants totaled \$29,356,000 for the thirteen weeks ended March 30, 2024 as compared to \$27,113,000 for the thirteen weeks ended April 1, 2023. The increase in restaurant food sales during the thirteen weeks ended March 30, 2024 as compared to restaurant food sales during the thirteen weeks ended April 1, 2023 is attributable to the increased menu prices and restaurant food sales generated from the opening of our limited partnership owned restaurant in Miramar, Florida (Store #25) in April 2023. Comparable weekly restaurant food sales for restaurants open for all of the thirteen weeks ended March 30, 2024 and April 1, 2023 respectively, which consists of ten restaurants owned by us (excluding our Hollywood, Florida location Store #19 which opened for business during the second quarter of our fiscal year 2024) and nine restaurants owned by affiliated limited partnerships (excluding our Miramar, Florida location Store #25 which opened for business during the third quarter of our fiscal year 2023) was \$2,089,000 and \$2,061,000 for the thirteen weeks ended March 30, 2024 and April 1, 2023, respectively, an increase of 1.36%. Comparable weekly restaurant food sales for Company-owned restaurants (excluding our Hollywood, Florida location Store #19 which opened for business during the second quarter of our fiscal year 2024) was \$1,029,000 and \$1,008,000 for the thirteen weeks ended March 30, 2024 and April 1, 2023, respectively, an increase of 2.08%. Comparable weekly restaurant food sales for affiliated limited partnership owned restaurants only (excluding Store #25 which opened for business during the third quarter of our fiscal year 2023), was \$1,060,000 and \$1,053,000 for the thirteen weeks ended March

30, 2024 and April 1, 2023, respectively, an increase of 0.66%. We expect that restaurant food sales, including non-alcoholic beverages, for the balance of our fiscal year 2024 will increase due to increased restaurant traffic and the operation of Store #25 and the newly re-opened Store #19.

Restaurant Bar Sales. Restaurant revenue generated from the sale of alcoholic beverages at restaurants totaled \$7,740,000 for the thirteen weeks ended March 30, 2024 as compared to \$7,281,000 for the thirteen weeks ended April 1, 2023. The increase in restaurant bar sales during the thirteen weeks ended March 30, 2024 is primarily due to the increased menu prices and restaurant bar sales generated from the opening of our limited partnership owned restaurant in Miramar, Florida (Store #25) in April 2023. Comparable weekly restaurant bar sales (for restaurants open for all of the thirteen weeks ended March 30, 2024 and April 1, 2023 respectively, which consists of ten restaurants owned by us (excluding our Hollywood, Florida location Store #19 which opened for business during the second quarter of our fiscal year 2024) and nine restaurants owned by affiliated limited partnerships (excluding our Miramar, Florida location Store #25, which opened for business during the third quarter of our fiscal year 2023) was \$556,000 and \$560,000 for the thirteen weeks ended March 30, 2024 and April 1, 2023, respectively, a decrease of 0.71%. Comparable weekly restaurant bar sales for Company-owned restaurants only (excluding our Hollywood, Florida location Store #19 which opened for business during the second quarter of our fiscal year 2024) was \$252,000 and \$245,000 for the thirteen weeks ended March 30, 2024 and April 1, 2023, respectively, an increase of 2.86%. Comparable weekly restaurant bar sales for affiliated limited partnership owned restaurants only (excluding Store #25 which opened for business during the third quarter of our fiscal year 2023), was \$304,000 and \$315,000 for the thirteen weeks ended March 30, 2024 and April 1, 2023, respectively, a decrease of 3.49%. We expect that restaurant bar sales for the balance of our fiscal year 2024 will increase due to increased restaurant traffic and the operation of our newly re-opened Store #19.

Package Store Sales. Revenue generated from sales of liquor and related items at package liquor stores totaled \$10,140,000 for the thirteen weeks ended March 30, 2024 as compared to \$8,659,000 for the thirteen weeks ended April 1, 2023, an increase of \$1,481,000. This increase was primarily due to increased package liquor store traffic and the package liquor sales generated from the operation of our package liquor store in Miramar, Florida (Store #24). Sales were up due to the fact that both New Year's Eve and New Year's Day fell in the second quarter of our fiscal year 2024, while New Year's Eve fell in the first quarter of our fiscal year 2023 and New Year's Day fell in the second quarter of our fiscal year 2023. The weekly average of same store package liquor store sales, which includes ten (10) Company-owned package liquor stores (excluding Store #24 which opened for

business during the second quarter of our fiscal year 2023), was \$732,000 and \$663,000 for the thirteen weeks ended March 30, 2024 and April 1, 2023, respectively, an increase of 10.41%. We expect that package liquor store sales for our fiscal year 2024 will increase due to increased package liquor store traffic and the operation of the package liquor store located in Miramar, Florida (Store #24).

Operating Costs and Expenses. Operating costs and expenses (consisting of cost of merchandise sold, payroll and related costs, occupancy costs and selling, general and administrative expenses), for the thirteen weeks ended March 30, 2024 increased \$4,292,000 or 10.44% to \$45,384,000 from \$41,092,000 for the thirteen weeks ended April 1, 2023. The increase was primarily due to increased payroll, increased consultant fees to improve our accounting process and an expected general increase in food costs, costs and expenses incurred from our limited partnership owned restaurant in Miramar, Florida (Store #25) and the package liquor store in Miramar, Florida (Store #24), partially offset by actions taken by management to reduce and/or control costs. We anticipate that our operating costs and expenses will continue to increase through our fiscal year 2024. Operating costs and expenses increased as a percentage of total revenue to approximately 94.41% for the thirteen weeks ended March 30, 2024 from 93.81% for the thirteen weeks ended April 1, 2023.

Gross Profit. Gross profit is calculated by subtracting the cost of merchandise sold from sales.

Restaurant Food Sales and Bar Sales. Gross profit for food and bar sales for the thirteen weeks ended March 30, 2024 increased to \$24,886,000 from \$23,184,000 due to higher sales volume for the thirteen weeks ended March 30, 2024. Gross profit margin for the restaurant food and bar sales decreased during the thirteen weeks ended March 30, 2024 when compared to the thirteen weeks ended April 1, 2023 due to higher food costs partially offset by, among other things, Recent Price Increases. Our gross profit margin for restaurant food and bar sales (calculated as gross profit reflected as a percentage of restaurant food and bar sales), was 67.09% for the thirteen weeks ended March 30, 2024 and 67.41% for the thirteen weeks ended April 1, 2023.

Package Store Sales. Gross profit for package store sales for the thirteen weeks ended March 30, 2024 increased to \$2,648,000 from \$2,447,000 for the thirteen weeks ended April 1, 2023. Our gross profit margin (calculated as gross profit reflected as a percentage of package liquor store sales), for package store sales was 26.11% for the thirteen weeks ended March 30, 2024 and 28.26% for the thirteen weeks ended April 1, 2023. We anticipate that the gross profit margin for package liquor store merchandise will decrease for the balance of fiscal year 2024 due to higher costs and a reduction in pricing of certain package store merchandise to be more competitive.

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Payroll and Related Costs. Payroll and related costs for the thirteen weeks ended March 30, 2024 increased \$798,000 or 5.63% to \$14,972,000 from \$14,174,000 for the thirteen weeks ended April 1, 2023. Payroll and related costs for the thirteen weeks ended March 30, 2024 were higher due primarily to the opening of our limited partnership owned restaurant in Miramar, Florida (Store #25) in April 2023, the retail package liquor store in Miramar, Florida (Store #24) in March 2023 and higher salaries to employees to remain competitive with other potential employees in a tight labor market. Payroll and related costs as a percentage of total revenue was 31.15% in the thirteen weeks ended March 30, 2024 and 32.36% of total revenue in the thirteen weeks ended April 1, 2023.

Occupancy Costs. Occupancy costs (consisting of percentage rent, common area maintenance, repairs, real property taxes, amortization of leasehold interests and rent expense associated with operating lease liabilities under ASC 842) for the thirteen weeks ended March 30, 2024 increased \$52,000 or 2.77% to \$1,930,000 from \$1,878,000 for the thirteen weeks ended April 1, 2023.

Selling, General and Administrative Expenses. Selling, general and administrative expenses (consisting of general corporate expenses, including but not limited to advertising, insurance, professional costs, clerical and administrative overhead) for the thirteen weeks ended March 30, 2024 increased \$1,162,000 or 15.25% to \$8,780,000 from \$7,618,000 for the thirteen weeks ended April 1, 2023, due primarily to Store #24, and Store #25 being open for the thirteen weeks ended March 30, 2024, increased consultant fees to improve our accounting process, inflation and otherwise to increases in expenses across all categories. Selling, general and administrative expenses increased as a percentage of total revenue for the thirteen weeks ended March 30, 2024 to 18.27% as compared to 17.39% for the thirteen weeks ended April 1, 2023.

Depreciation and Amortization. Depreciation and amortization expense for the thirteen weeks ended March 30, 2024, which is included in selling, general and administrative expenses, increased \$160,000 or 18.65% to \$1,018,000 from \$858,000 from the thirteen weeks ended April 1, 2023. This increase is driven by the opening of Stores #24, and #25. As a percentage of total revenue, depreciation and amortization expense was 2.12% of revenue in the thirteen weeks ended March 30, 2024 and 1.96% of revenue in the thirteen weeks ended April 1, 2023.

Interest Expense, Net. Interest expense, net, for the thirteen weeks ended March 30, 2024 decreased \$7,000 to \$255,000 from \$262,000 for the thirteen weeks ended April 1, 2023.

Income Taxes. Income tax for the thirteen weeks ended March 30, 2024 was a benefit of \$55,000, as compared to an expense of \$290,000 for the thirteen weeks ended April 1, 2023. This is primarily due to the FICA Tip Credit that is estimated to be generated in our fiscal year 2024 offset by the tax expense that is anticipated based on the projected pre-tax income and permanent differences.

Net Income. Net income for the thirteen weeks ended March 30, 2024 increased \$346,000 or 15.89% to \$2,524,000 from \$2,178,000 for the thirteen weeks ended April 1, 2023 due primarily to increased revenue at our retail package liquor stores and restaurants offset by higher food costs and overall increased expenses, including but not limited to, increased consultant fees to improve our accounting process. As a percentage of revenue, net income for the thirteen weeks ended March 30, 2024 is 5.25%, as compared to 4.97% for the thirteen weeks ended April 1, 2023.

Net Income Attributable to Flanigan's Enterprises, Inc. Stockholders. Net income attributable to Flanigan's Enterprises, Inc. stockholders for the thirteen weeks ended March 30, 2024 increased \$45,000 or 2.37% to \$1,942,000 from \$1,897,000 for the thirteen weeks ended April 1, 2023 due primarily to increased revenue at our retail package liquor stores and restaurants offset by higher food costs and overall increased expenses, including but not limited to, increased consultant fees to improve our accounting process and a higher portion of our net income attributable to noncontrolling interests (specifically the operation of our Miramar location). As a percentage of revenue, net income attributable to stockholders for the thirteen weeks ended March 30, 2024 is 4.04%, as compared to 4.33% for the thirteen weeks ended April 1, 2023.

Comparison of Twenty-Six Weeks Ended March 30, 2024 and April 1, 2023.

Revenues. Total revenue for the twenty-six weeks ended March 30, 2024 increased \$7,545,000 or 8.81% to \$93,209,000 from \$85,664,000 for the twenty-six weeks ended April 1, 2023 due primarily to increased package liquor store and restaurant sales, the Recent Price Increases, revenue generated from the opening of our limited partnership owned restaurant in Miramar, Florida (Store #25) in April 2023, the opening of the package liquor store in Hollywood, Florida (Store #19P) in December 2022, and the opening of the package liquor store in Miramar, Florida (Store #24) in March 2023.

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Restaurant Food Sales. Restaurant revenue generated from the sale of food, including non-alcoholic beverages, at restaurants totaled \$55,711,000 for the twenty-six weeks ended March 30, 2024 as compared to \$51,880,000 for the twenty-six weeks ended April 1, 2023. The increase in

restaurant food sales is attributable to increased menu prices and restaurant food sales generated from the opening of our limited partnership owned restaurant in Miramar, Florida (Store #25) in April 2023. Comparable weekly restaurant food sales for restaurants open for all of the twenty-six weeks ended March 30, 2024 and April 1, 2023 respectively, which consists of ten restaurants owned by us (excluding our Hollywood, Florida location Store #19 which opened for business during the second quarter of our fiscal year 2024) and nine restaurants owned by affiliated limited partnerships, (excluding our Miramar, Florida location Store #25 which opened for business during the third quarter of our fiscal year 2023) was \$1,980,000 and \$1,972,000 for the twenty-six weeks ended March 30, 2024 and April 1, 2023, respectively, an increase of 0.41%. Comparable weekly restaurant food sales for Company-owned restaurants only (excluding our Hollywood, Florida location Store #19 which opened for business during the second quarter of our fiscal year 2024) was \$933,000 and \$925,000 for the twenty-six weeks ended March 30, 2024 and April 1, 2023, respectively, an increase of 0.86%. Comparable weekly restaurant food sales for affiliated limited partnership owned restaurants only, (excluding Store #25 which opened for business during the third quarter of our fiscal year 2023), was \$1,047,000 for each of the twenty-six weeks ended March 30, 2024 and April 1, 2023, respectively. We expect that restaurant food sales, including non-alcoholic beverages, for our fiscal year 2024 will increase due to increased restaurant traffic and the operation of Store #25 and our newly re-opened Store #19.

Restaurant Bar Sales. Restaurant revenue generated from the sale of alcoholic beverages at restaurants totaled \$15,203,000 for the twenty-six weeks ended March 30, 2024 as compared to \$14,269,000 for the twenty-six weeks ended April 1, 2023. The increase in restaurant bar sales for the twenty-six weeks ended March 30, 2024 is primarily due to increased menu prices and restaurant bar sales generated from the opening of our limited partnership owned restaurant in Miramar, Florida (Store #25) in April 2023. Comparable weekly restaurant bar sales for restaurants open for all of the twenty-six weeks ended March 30, 2024 and April 1, 2023 respectively, which consists of ten restaurants owned by us (excluding our Hollywood, Florida location Store #19 which opened for business during the second quarter of our fiscal year 2024) and nine restaurants owned by affiliated limited partnerships, (excluding our Miramar, Florida location Store #25, which opened for business during the third quarter of our fiscal year 2023) was \$547,000 for the twenty-six weeks ended March 30, 2024 and \$549,000 for the twenty-six weeks ended April 1, 2023, a decrease of 0.36%. Comparable weekly restaurant bar sales for Company-owned restaurants only (excluding our Hollywood, Florida location Store #19 which opened for business during the second quarter of our fiscal year 2024) was \$243,000 and \$237,000 for the twenty-six weeks ended March 30, 2024 and April 1, 2023 respectively, an increase of 2.53%. Comparable weekly restaurant bar sales for affiliated limited partnership owned restaurants only (excluding Store #25 which opened for business during the third quarter of our fiscal year 2023) was \$303,000 and \$312,000 for the twenty-six weeks ended March 30, 2024 and April 1, 2023 respectively, a decrease of 2.88%. We expect that restaurant bar sales for our fiscal year 2024 will increase due to increased restaurant traffic and the operation of Store #25 and our newly re-opened Store #19.

Package Store Sales. Revenue generated from sales of liquor and related items at package liquor stores totaled \$20,742,000 for the twenty-six weeks ended March 30, 2024 as compared to \$18,062,000 for the twenty-six weeks ended April 1, 2023, an increase of \$2,680,000. This increase was primarily due to increased package liquor store traffic and the package liquor sales generated from the operation of our package liquor stores in Hollywood, Florida (Store #19P) and Miramar, Florida (Store #24). The weekly average of same store package liquor store sales, which includes nine (9) Company-owned package liquor stores, (excluding Store #19P which reopened during the first quarter of fiscal year 2023, and Store #24 which opened for business during the second quarter of our fiscal year 2023), was \$698,000 and \$675,000 for the twenty-six weeks ended March 30, 2024 and April 1, 2023 respectively, an increase of 3.41%. We expect that package liquor store sales for our fiscal year 2024 will increase due to increased package liquor store traffic.

Operating Costs and Expenses. Operating costs and expenses, (consisting of cost of merchandise sold, payroll and related costs, occupancy costs and selling, general and administrative expenses), for the twenty-six weeks ended March 30, 2024 increased \$7,976,000 or 9.76% to \$89,732,000 from \$81,756,000 for the twenty-six weeks ended April 1, 2023. The increase was primarily due to increased payroll, increased consultant fees to improve our accounting process and an expected general increase in food costs, costs and expenses incurred from our limited partnership owned restaurant in Miramar, Florida (Store #25) and the package liquor store in Miramar, Florida (Store #24), partially offset by actions taken by management to reduce and/or control costs. We anticipate that our operating costs and expenses will continue to increase through our fiscal year 2024. Operating costs and expenses increased as a percentage of total revenue to approximately 96.27% for the twenty-six weeks ended March 30, 2024 from 95.44% for the twenty-six weeks ended April 1, 2023.

Gross Profit. Gross profit is calculated by subtracting the cost of merchandise sold from sales.

Restaurant Food Sales and Bar Sales. Gross profit for food and bar sales for the twenty-six weeks ended March 30, 2024 increased to \$46,873,000 from \$44,133,000 due to higher sales volume for the twenty-six weeks ended March 30, 2024. Gross profit margin for the restaurant food and bar sales decreased during the twenty-six weeks ended March 30, 2024 when compared to the twenty-six weeks ended April 1, 2023 due to higher food costs partially offset by, among other things, Recent Price Increases. Our gross profit margin for restaurant food and bar sales (calculated as gross profit reflected as a percentage of restaurant food and bar sales), was 66.10% for the twenty-six weeks ended March 30, 2024 and 66.72% for the twenty-six weeks ended April 1, 2023.

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Package Store Sales. Gross profit for package store sales for the twenty-six weeks ended March 30, 2024 increased to \$5,370,000 from \$4,866,000 for the twenty-six weeks ended April 1, 2023. Our gross profit margin, (calculated as gross profit reflected as a percentage of package liquor store sales), for package store sales was 25.89% for the twenty-six weeks ended March 30, 2024 and 26.94% for the twenty-six weeks ended April 1, 2023. We anticipate that the gross profit margin for package liquor store merchandise will decrease for the balance of our fiscal year 2024 due to higher costs and a reduction in pricing of certain package store merchandise to be more competitive.

Payroll and Related Costs. Payroll and related costs for the twenty-six weeks ended March 30, 2024 increased \$1,547,000 or 5.56% to \$29,357,000 from \$27,810,000 for the twenty-six weeks ended April 1, 2023. Payroll and related costs for the twenty-six weeks ended March 30, 2024 were higher due primarily to the opening of our limited partnership owned restaurant location in Miramar, Florida (Store #25) in April 2023, the retail package liquor store in Miramar, Florida (Store #24) in March 2023 and higher salaries to employees to remain competitive with other potential employees in a tight labor market. Payroll and related costs as a percentage of total revenue was 31.50% for the twenty-six weeks ended March 30, 2024 and 32.46% of total revenue for the twenty-six weeks ended April 1, 2023.

Occupancy Costs. Occupancy costs (consisting of percentage rent, common area maintenance, repairs, real property taxes, amortization of leasehold purchases and rent expense associated with operating lease liabilities under ASC 842) for the twenty-six weeks ended March 30, 2024 increased \$368,000 or 9.88% to \$4,094,000 from \$3,726,000 for the twenty-six weeks ended April 1, 2023. The increase in occupancy costs was primarily due to an increase in real property taxes.

Selling, General and Administrative Expenses. Selling, general and administrative expenses (consisting of general corporate expenses, including but not limited to advertising, insurance, professional costs, clerical and administrative overhead) for the twenty-six weeks ended March 30, 2024 increased \$1,860,000 or 12.39% to \$16,868,000 from \$15,008,000 for the twenty-six weeks ended April 1, 2023. Selling, general and administrative expenses increased as a percentage of total revenue for the twenty-six weeks ended March 30, 2024 to 18.10% as compared to 17.52% for the twenty-six weeks ended April 1, 2023, due primarily to Store #24, and Store #25 being open for the full twenty-six weeks ended March 30, 2024, increased consultant fees to improve our accounting process, inflation and otherwise to increases in expenses across all categories.

Depreciation and Amortization. Depreciation and amortization expense for the twenty-six weeks ended March 30, 2024, which is included in selling, general and administrative expenses, increased \$325,000 or 19.36% to \$2,004,000 from \$1,679,000 from the twenty-six weeks ended April 1, 2023. This increase is driven by the opening of Stores #24, and #25. As a percentage of total revenue, depreciation and amortization expense was 2.15% of

revenue for the twenty-six weeks ended March 30, 2024 and 1.96% of revenue for the twenty-six weeks ended April 1, 2023.

Interest Expense, Net. Interest expense, net, for the twenty-six weeks ended March 30, 2024 decreased \$20,000 to \$517,000 from \$537,000 for the twenty-six weeks ended April 1, 2023.

Income Taxes. Income tax for the twenty-six weeks ended March 30, 2024 was an benefit of \$73,000, as compared to an expense of \$353,000 for the twenty-six weeks ended April 1, 2023. This benefit is primarily due to the FICA Tip Credit that is estimated to be generated in our fiscal year 2024 offset by the tax expense that is anticipated based on the projected pre-tax income and permanent differences.

Net Income. Net income for the twenty-six weeks ended March 30, 2024 increased \$66,000 or 2.16% to \$3,118,000 from \$3,052,000 for the twenty-six weeks ended April 1, 2023 due primarily to increased revenue at our retail package liquor stores and restaurants offset by higher food costs and overall increased expenses, including but not limited to, increased consultant fees to improve our accounting process, and a higher portion of net income attributable to noncontrolling interests (specifically the operations of our Miramar location). As a percentage of revenue, net income for the twenty-six weeks ended March 30, 2024 is 3.35%, as compared to 3.56% for the twenty-six weeks ended April 1, 2023.

Net Income Attributable to Flanigan's Enterprises, Inc. Stockholders. Net income attributable to stockholders for the twenty-six weeks ended March 30, 2024 decreased \$470,000 or 18.64% to \$2,051,000 from \$2,521,000 for the twenty-six weeks ended April 1, 2023 due primarily to higher food costs, overall increased expenses, including but not limited to, increased consultant fees to improve our accounting process, and a higher portion of net income attributable to noncontrolling interests (specifically the operations of our Miramar location). As a percentage of revenue, net income attributable to stockholders for the twenty-six weeks ended March 30, 2024 is 2.20%, as compared to 2.94% for the twenty-six weeks ended April 1, 2023.

Menu Price Increases and Trends

During the twenty-six weeks ended March 30, 2024, we did not increase our menu prices. During the twenty-six weeks ended April 1, 2023 we increased menu prices for our food offerings (effective March 26, 2023) to target an aggregate increase to our food revenues of approximately 2.06% annually and we increased menu prices for our bar offerings (effective March 19, 2023) to target an increase to our bar revenues of approximately 5.65% annually to offset higher food and liquor costs and higher overall expenses. Prior to these increases we previously raised menu prices in the first quarter of our fiscal year 2022.

COVID-19 has and may continue to materially and adversely affect our restaurant business for what may be a prolonged period of time. This damage and disruption resulted from events and factors that were impossible for us to predict and are beyond our control. The extent to which our restaurant business may be adversely impacted and its effect on our operations, liquidity and/or financial condition cannot be accurately predicted.

The Department of Health and Human Services (HHS) permitted the federal Public Health Emergency for COVID-19 (PHE) declared by the Secretary of the Department of Health and Human Services (Secretary) under Section 319 of the Public Health Service (PHS) Act to expire at the end of the day on May 11, 2023.

Liquidity and Capital Resources

We fund our operations through cash from operations and borrowings from third parties. As of March 30, 2024, we had cash and cash equivalents of approximately \$22,002,000, a decrease of \$3,530,000 from our cash balance of \$25,532,000 as of September 30, 2023. The decrease in cash as of March 30, 2024 was primarily due to (i) the payment of \$3.92 million for insurance for the period from December 30, 2023 to December 30, 2024 and (ii) to the completion of the construction of our Company-owned restaurant in Hollywood, Florida (Store #19) which opened for business during the end of the second quarter of our fiscal year 2024.

Inflation is affecting all aspects of our operations, including but not limited to food, beverage, fuel and labor costs. Supply chain issues also contribute to inflation. Inflation, including supply chain issues are having a material impact on our operating results.

We believe that our current cash availability from our cash on hand and positive cash flow from operations will be sufficient to fund our operations and planned capital expenditures for at least the next twelve months.

Cash Flows

The following table is a summary of our cash flows for the twenty-six weeks ended March 30, 2024 and April 1, 2023.

	-----Twenty-Six Weeks Ended-----	
	March 30, 2024	April 1, 2023
	(in thousands)	
Net cash provided by operating activities	\$ 2,133	\$ 4,194
Net cash used in investing activities	(3,161)	(5,273)
Net cash used in financing activities	(2,502)	(3,295)
Net Decrease in Cash and Cash Equivalents	(3,530)	(4,374)
Cash and Cash Equivalents, Beginning	25,532	42,138
Cash and Cash Equivalents, Ending	\$ 22,002	\$ 37,764

We did not declare or pay a cash dividend on our capital stock during the twenty-six weeks ended March 30, 2024 or the twenty-six weeks ended April 1, 2023. Any future determination to pay cash dividends will be at our Board's discretion and will depend upon our financial condition, operating results, capital requirements and such other factors as our Board deems relevant.

Capital Expenditures

In addition to using cash for our operating expenses, we use cash generated from operations and borrowings to fund the development and construction of new restaurants and to fund capitalized property improvements for our existing restaurants. During the twenty-six weeks ended March 30, 2024, we acquired property and equipment and construction in progress of \$4,314,000, (of which \$206,000 was purchase deposits transferred to property and equipment, \$715,000 was purchase deposits transferred to CIP, and \$280,000 was property and equipment in accounts payable), including \$437,000 for renovations to three (3) Company-owned restaurants. During the twenty-six weeks ended April 1, 2023, we acquired property and equipment and construction in progress of \$3,698,000, (of which \$114,000 was purchase deposits transferred to property and equipment and \$439,000 was purchase

deposits transferred to construction in progress), including \$105,000 for renovations to two (2) existing limited partnership owned restaurants and \$187,000 for renovations to three (3) Company-owned restaurants.

We anticipate the cost of refurbishment in our fiscal year 2024 will be approximately \$450,000, excluding construction/renovations to Store#19R (our restaurant which was rebuilt due to damages caused by a fire), although capital expenditures for our refurbishing program for fiscal year 2024 may be significantly higher.

Long-Term Debt

As of March 30, 2024, we had long-term debt (including the current portion) of \$22,501,000, as compared to \$23,128,000 as of September 30, 2023.

In February 2023, we determined that as of December 31, 2022, we did not meet the required Post-Distribution Basic Fixed Charge Coverage Ratio (the "Post-Distribution/Fixed Charge Covenant") contained in each of our six (6) loans (the "Institutional Loans") with our unrelated third party institutional lender (the "Institutional Lender"). On February 23, 2023, we received from the Institutional Lender, a written waiver of the non-compliance with the Post-Distribution/Fixed Charge Covenant (the "Covenant Non-Compliance"), pursuant to which, among other things, the Institutional Lender waived (1) the non-compliance as of December 31, 2022 and (2) their right to exercise certain remedies under the Institutional Loans, including the right to accelerate the indebtedness owed by us thereunder, resulting in the indebtedness under the Institutional Loans to be immediately due and payable, which would have had a material adverse effect on the Company. The Post-Distribution/Fixed Charge Covenant requires we maintain a ratio of at least 1.15 to 1.00 and for the twelve (12) months ended March 30, 2024 our ratio was calculated to be 1.57 to 1.00. As of March 30, 2024 we are in compliance with all of our loan covenant ratios and as a result, our classification of debt is appropriate.

For further information regarding the Company's long-term debt, refer to the Consolidated Financial Statements and related notes included in the Company's Annual Report on Form 10-K for the year ended September 30, 2023.

Construction Contract

2505 N. University Drive, Hollywood, Florida (Store #19 – "Flanigan's")

During the first quarter of our fiscal year 2022, we entered into an agreement with a third party unaffiliated general contractor to re-build our restaurant located at 2505 N. University Drive, Building B, Hollywood, Florida (Store#19), which had been closed since October 2, 2018 due to damage caused by a fire and re-opened for business on March 26, 2024. The contract totaled \$2,515,000 and through the end of the second quarter of our fiscal year 2024 we agreed to change orders increasing the total contract price by \$1,445,000 to \$3,960,000, of which \$3,596,000 has been paid through March 30, 2024, and none has been paid subsequent to the end of the second quarter of our fiscal year 2024.

Purchase Commitments

In order to fix the cost and ensure adequate supply of baby back ribs for our restaurants for calendar year 2024, we entered into a purchase agreement with our current rib supplier, whereby we agreed to purchase approximately \$7.0 million of "2.25 & Down Baby Back Ribs" (industry jargon for the weight range in which slabs of baby back ribs are sold) from this vendor during calendar year 2024, at a prescribed cost, which we believe is competitive.

Working Capital

The table below summarizes the current assets, current liabilities, and working capital for our fiscal quarter ended March 30, 2024, and our fiscal year ended September 30, 2023.

Item	March 30, 2024	September 30, 2023
	(in Thousands)	
Current Assets	\$ 34,128	\$ 35,294
Current Liabilities	21,914	22,371
Working Capital	<u>\$ 12,214</u>	<u>\$ 12,923</u>

While there can be no assurance due to, among other things, unanticipated expenses or unanticipated decline in revenues, or both, we believe that our cash on hand and positive cash flow from operations will adequately fund operations, debt reductions and planned capital expenditures throughout our fiscal year 2024.

Off-Balance Sheet Arrangements

The Company does not have off-balance sheet arrangements.

Critical Accounting Policies

During the twenty-six weeks ended March 30, 2024, we have not made any change to our critical accounting policies. See Item 7, page 40 of our Annual Report on Form 10-K for our fiscal year ended September 30, 2023 for a discussion of significant accounting policies.

Inflation

The primary inflationary factors affecting our operations are food, beverage and labor costs. A large number of restaurant personnel are paid at rates based upon applicable minimum wage and increases in minimum wage directly affect labor costs. Inflation is having a material impact on our operating results, especially rising food, fuel and labor costs. We have endeavored to offset the adverse effects of cost increases by increasing our menu prices.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We do not ordinarily hold market risk sensitive instruments for trading purposes and as of March 30, 2024 held no equity securities.

Interest Rate Risk

As part of our ongoing operations, we are exposed to interest rate fluctuations on our borrowings. As more fully described in Note 15 "Fair Value

Measurements of Financial Instruments" to the Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" of our Annual Report on Form 10-K for our fiscal year ended September 30, 2023, we use interest rate swap agreements to manage these risks. These instruments are not used for speculative purposes but are used to modify variable rate obligations into fixed rate obligations.

At March 30, 2024, we had one variable rate instrument outstanding that is impacted by changes in interest rates. The interest rate of our variable rate debt instrument is equal to the lender's BSBY Screen Rate plus one and one-half percent (1.50%) per annum. In September 2022, we refinanced the mortgage loan encumbering the property where our combination package liquor store and restaurant located at 4 N. Federal Highway, Hallandale Beach, Florida, (Store #31) operates, which mortgage loan is held by an unaffiliated third party lender (the "\$8.90M Loan").

As a means of managing our interest rate risk on this debt instrument, we entered into an interest rate swap agreement with our unrelated third-party lender to convert this variable rate debt obligation to a fixed rate. We are currently a party to the following interest rate swap agreement:

(i) The interest rate swap agreement entered into in September 2022 relates to the \$8.90M Loan (the "\$8.90M Term Loan Swap"). The \$8.90M Term Loan Swap requires us to pay interest for a fifteen (15) year period at a fixed rate of 4.90% on an initial amortizing notional principal amount of \$8,900,000, while receiving interest for the same period at BSBY Screen Rate – 1 Month, plus 1.50%, on the same amortizing notional principal amount. We determined that the interest rate swap agreement is an effective hedging agreement and that changes in fair value will be adjusted quarterly based on the valuation statement. As of March 30, 2024 the fair value of the swap agreement is reflected on the condensed consolidated balance sheet in other assets and accumulated other comprehensive income.

During our fiscal year 2023, we invested the aggregate sum of \$900,000 in 90 day certificates of deposit, fully government guaranteed and at an average fixed annual interest rate of 4.87%. During the twenty-six weeks ended March 30 2024, the aggregate balance of our 90 day certificates of deposit from 2023 were either redeemed or rolled over into new 90 day certificates of deposit, fully government guaranteed and at an average fixed annual interest rate of 5.27%. Otherwise, at March 30, 2024, our cash resources offset our bank charges and any excess cash resources earn interest at variable rates. Accordingly, our return on these funds is affected by fluctuations in interest rates.

There is no assurance that interest rates will increase or decrease over our next fiscal year or that an increase will not have a material adverse effect on our operations.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed with the U.S. Securities and Exchange Commission (the "SEC") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of March 30, 2024, an evaluation was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) to the Securities Exchange Act of 1934). Based on that evaluation, management, including our Chief Executive Officer and Chief Financial Officer, concluded that as a result of the remediation of our material weaknesses in internal control over financial reporting described below, our disclosure controls and procedures were effective as of March 30, 2024.

Material Weakness in Internal Control Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our interim or annual financial statements will not be prevented or detected on a timely basis.

During the course of our independent registered public accounting firm performing its quarterly review procedures in connection with our unaudited condensed consolidated financial statements to be included in our Form 10-Q for the first quarter of our 2023 fiscal year, we became aware of certain errors made by management in recording certain transactions and in performing debt covenant calculations.

As a result of this finding, during the second quarter of our fiscal year 2023, we began the process of addressing these material weaknesses by bolstering our internal controls over the review of certain financial transactions and their impact on our interim and annual financial statements, as well as our review of the debt covenant calculations as follows.

For review of certain transactions and their impact on our interim and annual financial statements, the Company has changed the internal control around the preparation and review of our financial statements. This new process begins with the preparation of the Financial Reporting Workbook. Once the initial review has been completed by the Financial Reporting Manager, the word document, along with the financial reporting workbook and underlying schedules are provided to the Controller and CFO for their review on the accuracy and completeness of all documents. The Financial Reporting Division will then hold a meeting with the CFO and Controller to review their comments, adjustments, and questions after their initial review has been completed. After the meeting is held, any additional journal entries or adjustments to wording that are required are made on a version of the word document that is set to track changes. This allows for the CFO and Controller to clearly identify where changes were made in the document to ensure that their initial findings are being incorporated as expected.

Debt covenant calculations are prepared by the Financial Reporting Manager and reviewed by the CFO prior to sending to the bank for review and approval. For fiscal year end only, an email approval is issued and sent back to the CFO.

These additional controls have been evaluated by management and determined to be operating effectively. As a result of our findings, we have concluded that our previously listed material weaknesses have been remediated.

Changes in Internal Control Over Financial Reporting

Outside the changes listed above, which were in place since the second quarter of 2023, we have not made any additional changes to our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See "Litigation" in Note 8 of this Report and Item 1 and Item 3 to Part 1 of the Annual Report on Form 10-K for the fiscal year ended September 30, 2023 for a discussion of other legal proceedings resolved in prior years.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchase of Company Common Stock

During the twenty-six weeks ended March 30, 2024 and April 1, 2023, we did not purchase any shares of our common stock. As of March 30, 2024, we still have authority to purchase 65,414 shares of our common stock under the discretionary plan approved by the Board of Directors at its meeting on May 17, 2007.

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ITEM 6. EXHIBITS

The following exhibits are filed with this Report:

<u>Exhibit</u>	<u>Description</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.</u>
32.1	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>

List of XBRL documents as exhibits 101

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SIGNATURES

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

FLANIGAN'S ENTERPRISES, INC.

Date: May 14, 2024

/s/ James G. Flanigan

JAMES G. FLANIGAN, Chief Executive Officer and President

/s/ Jeffrey D. Kastner

JEFFREY D. KASTNER, Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)

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EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, James G. Flanigan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Flanigan's Enterprises, Inc. for the period ended March 30, 2024;
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 periods covered by this report;
3. Based on my knowledge, the condensed consolidated financial statements, and other financial information included in this quarterly report, fairly present in all material respects of the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly 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 my 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 quarterly 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 quarterly 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 quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 or registrant's board of directors or persons performing the equivalent function:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that 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 14, 2024

/s/ James G. Flanigan

Name: James G. Flanigan

Chief Executive Officer and President

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Jeffrey D. Kastner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Flanigan's Enterprises, Inc. for the period ended March 30, 2024;
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 periods covered by this report;
3. Based on my knowledge, the condensed consolidated financial statements, and other financial information included in this quarterly report, fairly present in all material respects of the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly 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 my 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 quarterly 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 quarterly 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 quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 or registrant's board of directors or persons performing the equivalent function:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that 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 14, 2024

/s/ Jeffrey D. Kastner

Name: Jeffrey D. Kastner,
Chief Financial Officer and Secretary

EXHIBIT 32.1

**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 of Flanigan's Enterprises, Inc., (the "Company") on Form 10-Q for the period ended March 30, 2024, as filed with the Securities and Exchange Commission of the date hereof (the "Quarterly Report"), I, **James G. Flanigan**, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. SS.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

- (1) This Quarterly Report on Form 10-Q of the Company, to which this certification is attached as an Exhibit, fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) This information contained in this Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2024

/s/ James G. Flanigan

James G. Flanigan, Chief Executive Officer and President

The foregoing certificate is provided solely for the purpose of complying with Section 906 of the Sarbanes-Oxley Act of 2002 and for no other purpose whatsoever. Notwithstanding anything to the contrary set forth herein or in any of the Company's previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate the Company's future filings, including this quarterly report on Form 10-Q, in whole or in part, this certificate shall not be incorporated by reference into any such filings. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

**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 of Flanigan's Enterprises, Inc., (the "Company") on Form 10-Q for the period ended March 30, 2024, as filed with the Securities and Exchange Commission of the date hereof (the "Quarterly Report"), I, **Jeffrey D. Kastner**, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. SS.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

- (1) This Quarterly Report on Form 10-Q of the Company, to which this certification is attached as an Exhibit, 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 this Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2024

/s/ Jeffrey D. Kastner

Jeffrey D. Kastner
Chief Financial Officer and Secretary

The foregoing certificate is provided solely for the purpose of complying with Section 906 of the Sarbanes-Oxley Act of 2002 and for no other purpose whatsoever. Notwithstanding anything to the contrary set forth herein or in any of the Company's previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate the Company's future filings, including this quarterly report on Form 10-Q, in whole or in part, this certificate shall not be incorporated by reference into any such filings. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
