UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

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

February 28, 2019
Date of report (date of earliest event reported)

The Habit Restaurants, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**001-36749**	**36-4791171**
(State or other jurisdictions of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Nos.)

17320 Red Hill Avenue, Suite 140
Irvine, CA 92614
(Address of principal executive offices) (Zip Code)

(949) 851-8881
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrants under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☒

Item 2.02 Results of Operations and Financial Condition.

On February 28, 2019, The Habit Restaurants, Inc. (the "Company") issued a press release announcing its fourth quarter and fiscal 2018 financial results. A copy of this press release is being furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference into this Item 2.02.

In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release dated February 28, 2019 issued by The Habit Restaurants, Inc.

SIGNATURES

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

The Habit Restaurants, Inc.

By: /s/ Ira Fils
Ira Fils
Chief Financial Officer and Secretary

Date: February 28, 2019

Exhibit 99.1

The Habit Restaurants, Inc. Announces Fourth Quarter and Fiscal Year 2018 Financial Results

IRVINE, CA, February 28, 2019 – The Habit Restaurants, Inc. (NASDAQ: HABT) ("The Habit" or the "Company"), today announced financial results for its fourth quarter and fiscal year ended December 25, 2018.

Highlights for the fourth quarter ended December 25, 2018 include:

- Total revenue increased 21.0% to $102.7 million compared to $84.8 million in the fourth quarter of 2017.
- Company-operated comparable restaurant sales increased 2.4% as compared to the fourth quarter of 2017.
- Net income was $0.7 million, or $0.03 per diluted weighted average share, compared to a net loss of $6.4 million, or $(0.31) per diluted weighted average share, in the fourth quarter of 2017.
- Adjusted fully distributed pro forma net income(1) was $0.7 million, or $0.03 per fully distributed weighted average share compared to a net loss of $0.2 million, or $(0.01) per fully distributed weighted average share for the fourth quarter of 2017.
- Adjusted EBITDA(1) was $8.9 million compared to $7.1 million for the fourth quarter of 2017.
- The Company opened four company-operated restaurants and three franchised/licensed restaurants and closed two franchised restaurants during the fourth quarter of 2018. As of December 25, 2018, the Company had 223 company-operated locations and 24 franchised/licensed locations (excluding eight licensed locations in Santa Barbara County, California from which the Company is not entitled to royalties) for a system-wide total of 247 locations.

(1) Adjusted fully distributed pro forma net income and adjusted EBITDA are non-GAAP measures. A reconciliation of GAAP net income to each of these measures is included in the accompanying financial data. See also "Non-GAAP Financial Measures," included herein.

"We are pleased with our results in the fourth quarter, which included revenue growth of 21%, which was helped in part by a 2.4% increase in comparable restaurant sales. We believe that our recent success has been driven by our renewed focus on being more convenient for our guests as well as our continued focus on providing the highest quality products and service at an affordable price," said Russ Bendel, President and Chief Executive Officer of The Habit. "For 2019, we will continue these efforts and look to open between 21 and 23 company-operated locations and between 10 and 12 franchised/licensed locations."

Fourth Quarter 2018 Financial Results Compared to Fourth Quarter 2017

Total revenue was $102.7 million in the fourth quarter of 2018, compared to $84.8 million in the fourth quarter of 2017.

Company-operated comparable restaurant sales increased 2.4% for the quarter ended December 25, 2018. The increase in company-operated comparable restaurant sales was driven primarily by a 5.4% increase in average transaction amount partially offset by a 3.0% decrease in transactions.

Net income for the fourth quarter of 2018 was $0.7 million, or $0.03 per diluted weighted average share, compared to a net loss of $6.4 million, or $(0.31) per diluted weighted average share in the fourth quarter of 2017.

Adjusted fully distributed pro forma net income in the fourth quarter of 2018 was $0.7 million, or $0.03 per fully distributed weighted average share, compared to a net loss of $0.2 million, or $(0.01) per fully distributed weighted average share, in the fourth quarter of 2017. A reconciliation between GAAP net income and adjusted fully distributed pro forma net income is included in the accompanying financial data.

Fiscal Year 2018 Financial Results Compared to Fiscal Year 2017

Total revenue was $402.1 million in fiscal year 2018, compared to $331.4 million in fiscal year 2017.

Company-operated comparable restaurant sales increased 1.5% for the year ended December 25, 2018. The increase in company-operated comparable restaurant sales was driven primarily by a 4.5% increase in average transaction amount partially offset by a 3.0% decrease in transactions.

Net income for fiscal year 2018 was $2.8 million, or $0.13 per diluted weighted average share, compared to a net loss of $3.1 million, or $(0.15) per diluted weighted average share, in fiscal year 2017.

Adjusted fully distributed pro forma net income in fiscal year 2018 was $4.5 million, or $0.17 per fully distributed weighted average share, compared to $4.1 million, or $0.16 per fully distributed weighted average share, in fiscal year 2017. A reconciliation between GAAP net income and adjusted fully distributed pro forma net income is included in the accompanying financial data.

2019 Outlook

The Company currently anticipates the following for its fiscal year 2019:

- Total revenue between $458 million to $462 million;
- Company-operated comparable restaurant sales growth of approximately 2.0% to 3.0%;
- The opening of approximately 21 to 23 company-operated restaurants and 10 to 12 franchised/licensed restaurants;
- Restaurant contribution margin of 16.25% to 17.00%, which includes a (0.3)% unfavorable impact related to the change in lease accounting;
- General and administrative expenses of $44.5 million to $45.5 million;
- Depreciation and amortization expense of approximately $28.5 million;
- Capital expenditures of $35.0 million to $38.0 million; and
- An effective pro forma tax rate of approximately 29.0% to 30.0%, which assumes the conversion of all common units of The Habit Restaurants, LLC for shares of the Company's Class A common stock (and cancellation of corresponding shares of Class B common stock), which would eliminate the non-controlling interests.

Conference Call

The Company will host a conference call to discuss financial results for the fourth quarter and fiscal year 2018 today at 4:30 PM Eastern Time. Russ Bendel, President and Chief Executive Officer, and Ira Fils, Chief Financial Officer, will host the call.

The conference call can be accessed live over the phone by dialing (855) 327-6837 or for international callers by dialing (631) 891-4304. A replay will be available after the call and can be accessed by dialing (844) 512-2921 or for international callers by dialing (412) 317-6671; the passcode is 10006156. The replay will be available until Thursday, March 7, 2019. The conference call will also be webcast live from the Company's corporate website at ir.habitburger.com under the "Events" page. An archive of the webcast will be available at the same location on the corporate website shortly after the call has concluded.

The following definitions apply to these terms as used in this release:

Comparable restaurant sales reflect the change in year-over-year sales in our comparable restaurant base. A restaurant enters our comparable restaurant base in the accounting period following its 18th full period of operations. We operate on a 4-4-5 calendar, each accounting period will consist of either four or five weeks with the exception of a 53-week year, where the last period contains six weeks.

Average Unit Volumes (AUVs) are calculated by dividing revenue for the trailing 52-week period for all company-operated restaurants that have operated for 12 full accounting periods by the total number of restaurants open for such period.

Adjusted fully distributed pro forma net income includes net income attributable to The Habit (i) excluding income tax expense, (ii) excluding the effect of non-recurring items, (iii) assuming the exchange of all common units of The Habit Restaurants, LLC into shares of our Class A common stock (and cancellation of corresponding shares of our Class B common stock), which results in the elimination of non-controlling interests in The Habit Restaurants, LLC, and (iv) reflecting an adjustment for income tax expense on fully distributed pro forma net income before income taxes at our estimated long term effective income tax rate. Adjusted fully distributed pro forma net income is a non-GAAP financial measure because it represents net income attributable to The Habit, before non-recurring items and the effects of non-controlling interests in The Habit Restaurants, LLC. We use adjusted fully distributed pro forma net income to facilitate a comparison of our operating performance on a consistent basis from period to period that, when viewed in combination with our results prepared in accordance with GAAP, provides a more complete understanding of factors and trends affecting our business than GAAP measures alone and eliminates the variability of non-controlling interests as a result of member owner exchanges of common units of The Habit Restaurants, LLC into shares of our Class A common stock (and cancellation of corresponding shares of our Class B common stock).

Adjusted fully distributed pro forma net income per fully distributed weighted average share is calculated using adjusted fully distributed pro forma net income as defined above and assumes the exchange of all common units of The Habit Restaurants, LLC into shares of our Class A common stock (and cancellation of corresponding shares of our Class B common stock).

EBITDA, a non-GAAP measure, represents net income before interest expense, net, provision for income taxes, and depreciation and amortization.

Adjusted EBITDA, a non-GAAP measure, represents EBITDA plus pre-opening costs, stock-based compensation, loss on disposal of assets, Tax Receivable Agreement liability adjustment, and other non-recurring items.

About The Habit Restaurants, Inc.

The Habit Burger Grill is a burger-centric, fast casual restaurant concept that specializes in preparing fresh, made-to-order chargrilled burgers and sandwiches featuring USDA choice tri-tip steak, grilled chicken and sushi-grade tuna cooked over an open flame. In addition, it features fresh made-to-order salads and an appealing selection of sides, shakes and malts. The Habit was named the "best tasting burger in America" in July 2014 in a comprehensive survey conducted by one of America's leading consumer magazines. The first Habit opened in Santa Barbara, California in 1969. The Habit has since grown to over 250 restaurants in 11 states throughout California, Arizona, Utah, New Jersey, Florida, Idaho, Virginia, Nevada, Washington, Maryland and Pennsylvania, as well as four international locations.

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Forward-Looking Statements

This press release contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this press release are forward-looking statements. Forward-looking statements discuss our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements because they do not relate strictly to historical or current facts. These statements may include words such as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "outlook," "potential," "project," "projection," "plan," "intend," "seek," "may," "could," "would," "will," "should," "can," "can have," "likely," the negatives thereof and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. They appear in a number of places throughout this press release and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected.

While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are expressly qualified in their entirety by these cautionary statements. You should evaluate all forward-looking statements made in this press release in the context of the risks and uncertainties disclosed in our soon to be filed annual report on Form 10-K for the year ended December 25, 2018, including the sections thereof captioned "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors." These filings and others are available online at www.sec.gov, ir.habitburger.com or upon request from The Habit.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences we anticipate or affect us or our operations in the ways that we expect. The forward-looking statements included in this press release are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as required by law. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use non-GAAP financial measures, including those discussed above. These measures are not intended to be considered in isolation or as substitutes for, or superior to, financial measures prepared and presented in accordance with GAAP. We use non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. We believe that they provide useful information about operating results, enhance understanding of past performance and future prospects, and allow for greater transparency with respect to key metrics used by management in its financial and operational decision making. However, when analyzing the Company’s operating performance, investors should not consider adjusted earnings per fully distributed weighted average share or adjusted fully distributed pro forma net income in isolation or as substitutes for net income (loss), cash flows from operating activities or other operation statement or cash flow statement data prepared in accordance with GAAP. The non-GAAP measures used in this press release may be different from the measures used by other companies.

Consolidated Statement of Operations Data (unaudited):

Our operating results are presented as a percentage of total revenue, with the exception of restaurant operating costs, depreciation and amortization expense, pre-opening costs, asset impairment and loss on disposal of assets, which are presented as a percentage of restaurant revenue.

(amounts in thousands except share and per share data)	13 Weeks Ended December 25, 2018		13 Weeks Ended December 26, 2017(1)		52 Weeks Ended December 25, 2018		52 Weeks Ended December 26, 2017(1)	
Revenue								
Restaurant revenue	$ 101,535	98.9%	$ 84,526	99.6%	$ 399,110	99.2%	$ 330,230	99.7%
Franchise/license revenue	1,173	1.1%	323	0.4%	3,037	0.8%	1,156	0.3%
Total revenue	102,708	100.0%	84,849	100.0%	402,147	100.0%	331,386	100.0%
Operating expenses								
Restaurant operating costs (excluding depreciation and amortization)								
Food and paper costs	30,019	29.6%	25,729	30.4%	119,543	30.0%	101,683	30.8%
Labor and related expenses	33,900	33.4%	29,218	34.6%	135,023	33.8%	110,785	33.5%
Occupancy and other operating expenses	19,684	19.4%	15,328	18.1%	72,858	18.3%	56,796	17.2%
General and administrative expenses	10,328	10.1%	8,191	9.7%	38,918	9.7%	32,559	9.8%
Exchange related expenses	—	—	103	0.1%	130	0.0%	494	0.1%
Depreciation and amortization expense	6,539	6.4%	5,268	6.2%	24,490	6.1%	18,761	5.7%
Pre-opening costs	465	0.5%	1,119	1.3%	2,850	0.7%	3,062	0.9%
Asset impairment	-	—	—	—	3,082	0.8%	—	—
Loss on disposal of assets	38	0.0%	38	0.0%	97	0.0%	81	0.0%
Total operating expenses	100,973	98.3%	84,994	100.2%	396,991	98.7%	324,221	97.8%
Income (loss) from operations	1,735	1.7%	(145)	(0.2)%	5,156	1.3%	7,165	2.2%
Other (income) expense								
Tax Receivable Agreement liability adjustment	82	0.1%	(57,919)	(68.3)%	1,555	0.4%	(57,231)	(17.3)%
Interest expense, net	269	0.3%	208	0.2%	1,018	0.3%	588	0.2%
Income before income taxes	1,384	1.3%	57,566	67.8%	2,583	0.6%	63,808	19.3%
Provision (benefit) for income taxes	398	0.4%	63,991	75.4%	(1,057)	(0.3)%	65,388	19.7%
Net income (loss)	986	1.0%	(6,425)	(7.6)%	3,640	0.9%	(1,580)	(0.5)%
Less: net income (loss) attributable to non-controlling interests	(299)	(0.3)%	22	0.0%	(863)	(0.2)%	(1,539)	(0.5)%
Net income (loss) attributable to The Habit Restaurants, Inc.	$ 687	0.7%	$ (6,403)	(7.5)%	$ 2,777	0.7%	$ (3,119)	(0.9)%
Net income (loss) attributable to The Habit Restaurants, Inc. per share Class A common stock:								
Basic	$ 0.03		$ (0.31)		$ 0.14		$ (0.15)	
Diluted	$ 0.03		$ (0.31)		$ 0.13		$ (0.15)	
Weighted average shares of Class A common stock outstanding:								
Basic	20,657,714		20,365,489		20,538,637		20,285,780	
Diluted	20,885,130		20,365,489		20,645,546		20,285,780	

(1) As previously reported, the Company recognized a decrease in revenue of $242,000 and $312,000 for the 13 and 52 weeks ended December 26, 2017, respectively, as a result of the adoption of Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers.

Selected Balance Sheet and Selected Operating Data (unaudited):

Balance Sheet Data (dollar amounts in thousands)	December 25, 2018	December 26, 2017
Balance Sheet Data-Consolidated (at period end):		
Cash and cash equivalents	$ 24,894	$ 28,277
Property and equipment, net[(a)]	160,746	139,956
Total assets	312,606	292,124
Total debt[(b)]	19,804	13,700
Total stockholders' equity[(c)]	149,994	144,149

(a) Property and equipment, net consists of property owned or leased, net of accumulated depreciation and amortization.

(b) Total debt consists of deemed landlord financing.

(c) As previously reported, the Company recognized a cumulative decrease in retained earnings of $0.4 million for fiscal year ended December 26, 2017 as a result of the adoption of ASU No. 2014-09, Revenue from Contracts with Customers.

	13 Weeks Ended	
Selected Operating Data	December 25, 2018	December 26, 2017
Other Operating Data:		
Total restaurants at end of period	247	209
Company-operated restaurants at end of period	223	193
Company-operated comparable restaurant sales[(a)]	2.4%	(1.0)%
Company-operated average unit volumes	$ 1,873	$ 1,881

	52 Weeks Ended	
Selected Operating Data	December 25, 2018	December 26, 2017
Other Operating Data:		
Company-operated comparable restaurant sales[(a)]	1.5%	(0.1)%

(a) Company-operated comparable restaurant sales reflect the change in year-over-year sales for the company-operated comparable restaurant base. A restaurant enters our comparable restaurant base in the accounting period following its 18th full period of operations.

The following table includes a reconciliation of net income to adjusted EBITDA:

	13 Weeks Ended		52 Weeks Ended	
Adjusted EBITDA Reconciliation (amounts in thousands)	December 25, 2018	December 26, 2017	December 25, 2018	December 26, 2017
Net income (loss)[(a)]	$ 986	$ (6,425)	$ 3,640	$ (1,580)
Non-GAAP adjustments:				
Provision (benefit) for income taxes	398	63,991	(1,057)	65,388
Interest expense, net	269	208	1,018	588
Depreciation and amortization	6,539	5,268	24,490	18,761
EBITDA	8,192	63,042	28,091	83,157
Stock-based compensation expense[(b)]	689	672	2,714	2,518
Loss on disposal of assets[(c)]	38	38	97	81
Pre-opening costs[(d)]	465	1,119	2,850	3,062
Asset impairment[(e)]	—	—	3,082	—
Tax Receivable Agreement liability adjustment[(f)]	82	(57,919)	1,555	(57,231)
Exchange related expenses[(g)]	—	103	130	494
Franchise revenue for terminated agreements[(h)]	(580)	—	(1,081)	—
Adjusted EBITDA	$ 8,886	$ 7,055	$ 37,438	$ 32,081

[a] As previously reported, the Company recognized a decrease in revenue of $242,000 and $312,000 for the 13 and 52 weeks ended December 26, 2017, respectively, as a result of the adoption of ASU No. 2014-09, Revenue from Contracts with Customers.

[b] Includes non-cash, stock-based compensation.

[c] Loss on disposal of assets includes the loss on disposal of assets related to retirements and replacements or write-off of leasehold improvements or equipment.

[d] Pre-opening costs consist of costs directly associated with the opening of new restaurants and incurred prior to opening, including management labor costs, staff labor costs during training, food and supplies used during training, marketing costs and other related pre-opening costs. These are generally incurred over the three to five months prior to opening. Pre-opening costs also include net occupancy costs incurred between the date of possession and opening date of our restaurants.

[e] Includes costs related to impairment of long-lived assets at the restaurant level. During the fiscal year ended December 25, 2018, the Company determined that the carrying value of three restaurants in the Orlando, Florida market were not recoverable, and as a result, recorded impairment expense of $3.1 million.

[f] In connection with our initial public offering ("IPO") of shares of Class A common stock that occurred in fiscal year 2014, we entered into a tax receivable agreement ("TRA"). This agreement calls for us to pay to our pre-IPO stockholders 85% of the savings in cash that we realize in our taxes as a result of utilizing our net operating losses and other tax attributes attributable to preceding periods. This category includes adjustments associated with revisions to the expected TRA liability as a result of updated estimated future tax savings at the federal, state and local level.

[g] This category includes costs associated with the exchanges of common units of The Habit Restaurants, LLC ("LLC Units") into shares of Class A common stock by members of The Habit Restaurants, LLC (the "Continuing LLC Owners") pursuant to its Amended and Restated Limited Liability Company Agreement (as amended, the "LLC Agreement").

[h] This category includes franchise revenue that was recognized for terminated franchise agreements.

The following is a reconciliation of GAAP net income and net income per share to adjusted fully distributed pro forma net income and adjusted fully distributed pro forma net income per share:

(dollar amounts in thousands)	13 Weeks Ended December 25, 2018	13 Weeks Ended December 26, 2017	52 Weeks Ended December 25, 2018	52 Weeks Ended December 26, 2017
Net income (loss)[a]	$ 986	$ (6,425)	$ 3,640	$ (1,580)
Exchange related expenses[b]	—	103	130	494
Tax Receivable Agreement liability adjustment[c]	82	(57,919)	1,555	(57,231)
Franchise revenue for terminated agreements[d]	(580)	—	(1,081)	—
Asset impairment[e]	—	—	3,082	—
Income tax expense (benefit) as reported	398	63,991	(1,057)	65,388
Fully distributed pro forma net income (loss) before income taxes	886	(250)	6,269	7,071
Income tax expense (benefit) on fully distributed pro forma income before income taxes[f]	194	(68)	1,808	3,007
Adjusted fully distributed pro forma net income (loss)	$ 692	$ (182)	$ 4,461	$ 4,064
Adjusted fully distributed pro forma net income (loss) per share of Class A common stock:				
Basic	$ 0.03	$ (0.01)	$ 0.17	$ 0.16
Diluted	$ 0.03	$ (0.01)	$ 0.17	$ 0.16
Weighted average shares of Class A common stock outstanding used in computing adjusted fully distributed pro forma net income (loss) per share[g]:				
Basic	26,048,281	26,024,804	26,041,437	26,017,332
Diluted	26,275,697	26,024,804	26,148,346	26,073,064

(a) As previously reported, the Company recognized a decrease in revenue of $242,000 and $312,000 for the 13 and 52 weeks ended December 26, 2017 as a result of the adoption of ASU No. 2014-09, Revenue from Contracts with Customers.

(b) This category includes costs associated with the exchanges of LLC Units to Class A common stock by the Continuing LLC Owners pursuant to the LLC Agreement.

(c) In connection with our IPO, we entered into the TRA. This agreement calls for us to pay to our pre-IPO stockholders 85% of the savings in cash that we realize in our taxes as a result of utilizing our net operating losses and other tax attributes attributable to preceding periods. This category includes adjustments associated with revisions to the expected TRA liability as a result of updated estimated future tax savings at the federal, state and local level.

(d) This category includes franchise revenue that was recognized for terminated franchise agreements.

(e) Includes costs related to impairment of long-lived assets at the restaurant level. During the fiscal year ended December 25, 2018, the Company determined that the carrying value of three restaurants in the Orlando, Florida market were not recoverable, and as a result, recorded impairment expense of $3.1 million.

(f) Reflects income tax expense at an effective rate of 28.8% and 42.5% for the periods ended December 25, 2018 and December 26, 2017, respectively, on income before income taxes assuming the conversion of all outstanding LLC Units for shares of Class A common stock (with a corresponding cancellation of shares of our Class B common stock). The effective rate also excludes the impact of non-recurring and discrete items. The effective rate for the period ended December 26, 2017 excludes the reduced corporate tax rate due to tax law change. The estimated tax rate includes provisions for U.S. federal income taxes and assumes the highest statutory rates apportioned to each state and local jurisdiction.

(g) For all periods presented, represents the total number of shares of Class A common stock outstanding including all outstanding LLC Units of The Habit Restaurants, LLC as if they were exchanged on a one-for-one basis for the Company's Class A common stock (with a corresponding cancellation of shares of our Class B common stock). Diluted earnings per share gives effect during the reporting period to all dilutive potential shares outstanding resulting from employee stock-based awards using the treasury method.