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STEAK & SHAKE CO  
Form 8-K  
November 12, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549-1004

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 12, 2003  
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THE STEAK n SHAKE COMPANY  
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(Exact name of registrant as specified in its charter)

Indiana	000-08445	37-0684070
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(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

36 S. Pennsylvania St., Suite 500 Indianapolis, Indiana -----	46204 -----
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (317) 633-4100  
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ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On November 12, 2003, The Steak n Shake Company (the "Registrant" or "Company") issued a Press Release announcing its fourth quarter and fiscal year 2003 results. The information in the Press Release is attached hereto as Exhibit 99.1.

The Company has included the non-GAAP financial measure of adjusted net earnings and adjusted diluted earnings per share in the Press Release. Adjusted net earnings consists of net earnings adjusted for the provision for store closings. The Company believes adjusted net earnings and adjusted diluted earnings per share are measures that should be presented in addition to net earnings as determined in accordance with generally accepted accounting principles ("GAAP") because they provide useful measures of comparing ongoing operations between past, current, and future periods. Additionally, the Company believes the provision for store closings is unusual in nature, and would not be indicative of ongoing operating results.

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A reconciliation of adjusted net earnings to net earnings in accordance with GAAP is as follows:

	TWELVE WEEKS ENDED		YEAR ENDED	
	9/24/03	9/25/02	9/24/03	9/25/02
Net earnings . . . . .	\$3,609,041	\$5,947,243	\$20,939,135	\$23,360,000
Provision for restaurant closings, net of income taxes	3,360,000	-	3,360,000	-
Adjusted net earnings. . . . .	\$6,969,041	\$5,947,243	\$24,299,135	\$23,360,000
	=====	=====	=====	=====

A reconciliation of adjusted diluted earnings per share to diluted earnings per share in accordance with GAAP is as follows:

	TWELVE WEEKS ENDED		YEAR ENDED	
	9/24/03	9/25/02	9/24/03	9/25/02
Net earnings . . . . .	\$ .13	\$ .22	\$ .77	\$ .83
Provision for restaurant closings, net of income taxes	.13	-	.13	-
Adjusted net earnings. . . . .	\$ .26	\$ .22	\$ .90	\$ .83
	=====	=====	=====	=====

SIGNATURES

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

THE STEAK N SHAKE COMPANY

By: /s/ James W. Bear  
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 James W. Bear, Senior Vice President  
 and Chief Financial Officer

Dated: November 12, 2003

Exhibit Index

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Number assigned  
in Regulation S-K

Item Description of Exhibits  
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( ) 99.1 Press Release, dated November 12, 2003, announcing fourth quarter and fiscal year 2003 results.

Exhibit 99.1

THE STEAK N SHAKE COMPANY  
REPORTS ITS FISCAL YEAR 2003 RESULTS.

INDIANAPOLIS, November 12, 2003 - The Steak n Shake Company (NYSE:SNS) reported today its revenues and earnings for the full fiscal year (FY 2003 ended September 24, 2003) and for the fiscal Fourth Quarter.

Highlights of the year and fiscal Fourth Quarter are:

- Same store sales increased 4.9% for the year and 12.4% for the Fourth Quarter.
- System-wide sales increased 8.2% for the year to \$592,599,961 and increased 15.0% to \$150,046,385 for the Fiscal Fourth Quarter.
- Revenues for the Fiscal Year increased 8.7% to \$499,103,555 and Fourth Quarter revenues increased 15.1% to \$126,108,100.

The Company identified nine under-performing restaurants to close and recorded a provision for restaurant closings of \$5,200,000 (\$3,360,000 net of income taxes or \$.13 per diluted share.) Because of this event, Net Earnings for the Quarter were \$3,609,041 and \$20,939,135 for the year. Diluted Earnings per share for the Quarter were \$.13 and \$.77 for the year. While the chain experienced record growth for the year, these nine restaurants did not perform to expectations due to trade area changes, location challenges or physical facility issues. The potential for these closings was reported in July 2003. The Company determined that it is in the long-term best interest of the shareholders to decisively discontinue operations in these restaurants that represent less than 1% of total sales.

Closing these restaurants is the result of the Company's increased emphasis on ensuring that every asset earns more than the cost of capital. As a result of this decision, on-going Earnings, Cash Flow and Return on Assets are expected to improve. In addition, management will be able to focus more on assets with higher potential as well as on future growth.

Net Earnings, exclusive of the provision for restaurant closings ("Adjusted Net Earnings"), were \$6,969,041 for the Quarter and \$24,299,135 for the year. Adjusted Diluted Earnings per share for the Quarter were \$.26 and \$.90 for the

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year. The Company believes that Adjusted Net Earnings and Adjusted Diluted Earnings per share are Non-GAAP financial measures that should be presented in addition to Net Earnings and Diluted Earnings per share in accordance with GAAP because they provide useful measures of comparing on-going operations between past, current and future periods. In addition, the Company believes the provision for restaurant closings is unusual in nature and is not indicative of ongoing operating results.

After adjustments for the provision for store closings, the Non-GAAP results are as follows:

- Adjusted Net Earnings for the Fourth Quarter were \$6,969,041, a gain of 17.2%, and Adjusted Diluted Earnings per share were \$.26, a gain of 18.2%.
- Adjusted Net Earnings for Fiscal Year 2003 were \$24,299,135, a gain of 5.2%, and Adjusted Diluted Earnings per share were \$.90, a gain of 8.4%.

The increasing momentum of same store sales and earnings versus prior year is based in large part on the progress the Company has made on five key business fundamentals.

- Supporting and Enabling Effective Field Leadership
- Improving Associate Satisfaction and Training
- Growing Guest Counts
- Continually Improving Margins
- Expanding the Brand

Progress continues in reducing management turnover and in meeting staffing goals to support both current operations and future expansion.

Progress has been made in improving associate satisfaction through increased training, enhanced benefit offerings, and associate involvement in the planning process, which have all contributed to turnover reduction.

Guest counts have grown progressively throughout the Year due to optimized and integrated marketing programs via consumer research, new products like the three new Milk Shakes, new television marketing and credit card acceptance.

Once new guests visited, their experiences were faster and friendlier via improved service execution as evidenced by expanded guest satisfaction measurements.

The significant growth in guest counts for the Quarter and Year were fueled by investments in incremental marketing, consumer research, credit card availability, field bonuses, mystery shopping, training and new market development. In FY 2004, the Company will continue investing in associates and guests. The forward looking Earnings objective for Fiscal Year 2004 is between \$.98 and \$1.02 Diluted Earnings per share.

As of September 25, 2002, there were 404 Steak n Shake restaurants of which 56 were franchised. As of September 24, 2003, there were 413 Steak n Shake restaurants of which 57 were franchised. Subsequent to the expected store closings, there will be 410 Steak n Shake restaurants of which 58 are franchised. This estimate includes three Company restaurants and one franchise restaurant that have opened since the beginning of FY 2004. This does not include the three Company restaurants that were razed and rebuilt at their current locations during Fiscal Year 2003. In Fiscal 2004, the Company expects

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to open 15-20 restaurants, of which several will be franchise locations.

To date, the Company has purchased about 3,400,000 shares as authorized by its 4,000,000 Share Stock Repurchase program. No additional shares were purchased in the Fourth Quarter.

Steak n Shake is a full service, casual dining restaurant serving a core menu of its famous Steakburgers, thin 'n crispy French Fries and old fashioned hand-dipped Milk Shakes. Menu variety includes sandwiches, such as the Turkey Melt and the Grilled Chicken Breast, as well as Chili, home style soups, fresh salads, a variety of desserts and breakfast. All of the food is prepared to the guest's order and served by friendly, well-trained associates. Steak n Shake restaurants feature full-service dining areas, counter service and drive-thru windows. Restaurants are open 24 hours a day, seven days a week.

This press release contains various "forward looking statements" which represent the company's expectations or beliefs concerning future events. Investors are cautioned that reliance on "forward looking statements" involves risks and uncertainties, and although the Company believes that the assumptions on which the "forward looking statements" contained herein are based, are reasonable, any of these assumptions could prove to be inaccurate and, as a result, the "forward looking statements" based upon those assumptions also could be incorrect. Investors are referred to the full discussion of risk and uncertainties associated with "forward looking statements" contained in the company's filings with the Securities and Exchange Commission.

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### THE STEAK N SHAKE COMPANY CONSOLIDATED STATEMENTS OF EARNINGS

	TWELVE WEEKS ENDED		YEAR ENDED	
	9/24/2003	9/25/2002	9/24/2003	9/2
	(UNAUDITED)	(UNAUDITED)		
<b>REVENUES</b>				
Net sales . . . . .	\$125,108,570	\$108,719,354	\$495,276,837	\$45
Franchise fees . . . . .	999,530	846,372	3,826,718	
	126,108,100	109,565,726	499,103,555	45
<b>COSTS AND EXPENSES</b>				
Cost of sales . . . . .	29,379,202	24,893,843	113,496,038	10
Restaurant operating costs . . . . .	62,051,457	53,275,602	245,524,172	22
General and administrative . . . . .	8,628,230	7,564,883	37,908,447	3

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Depreciation and amortization . . . . .	5,828,761	5,617,143	24,169,474	2
Marketing . . . . .	4,720,613	3,814,735	18,856,484	1
Interest . . . . .	3,286,191	3,432,175	13,390,635	1
Rent . . . . .	1,724,890	1,507,513	8,308,972	
Provision for store closings . . . . .	5,200,000	0	5,200,000	
Pre-opening costs . . . . .	426,668	719,940	1,889,044	
Other income, net . . . . .	(557,953)	(471,851)	(2,063,846)	(
	<u>120,688,059</u>	<u>100,353,983</u>	<u>466,679,420</u>	<u>42</u>
EARNINGS BEFORE INCOME TAXES . . . . .	5,420,041	9,211,743	32,424,135	3
INCOME TAXES . . . . .	<u>1,811,000</u>	<u>3,264,500</u>	<u>11,485,000</u>	<u>1</u>
NET EARNINGS . . . . .	<u>\$ 3,609,041</u>	<u>\$ 5,947,243</u>	<u>\$ 20,939,135</u>	<u>\$ 2</u>
NET EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE:				
Basic . . . . .	\$ 0.13	\$ 0.22	\$ 0.78	\$
Diluted . . . . .	\$ 0.13	\$ 0.22	\$ 0.77	\$
WEIGHTED AVERAGE SHARES AND EQUIVALENTS:				
Basic . . . . .	27,052,774	27,276,383	27,010,024	2
Diluted . . . . .	27,279,788	27,447,387	27,110,065	2

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	9/24/2003	9/25/2002
	-----	-----
ASSETS		
Current assets . . . . .	\$ 39,255,997	\$ 18,627,724
Property and equipment - net . . . . .	360,878,710	359,721,706
Leased property - net . . . . .	3,721,063	4,079,558
Other assets . . . . .	10,779,813	13,466,001
	<u>-----</u>	<u>-----</u>
Total assets . . . . .	<u>\$414,635,583</u>	<u>\$395,894,989</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities . . . . .	\$ 61,640,791	\$ 50,291,476
Deferred income taxes and credits . . . . .	2,897,887	5,599,138
Obligations under capital leases . . . . .	145,124,559	148,531,256
Senior note . . . . .	16,203,175	24,418,571
Shareholders' equity . . . . .	188,769,171	167,054,548
	<u>-----</u>	<u>-----</u>
Total liabilities and shareholders' equity . . . . .	<u>\$414,635,583</u>	<u>\$395,894,989</u>

A RECONCILIATION OF ADJUSTED NET EARNINGS TO NET EARNINGS

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IN ACCORDANCE WITH GAAP IS AS FOLLOWS:

### FY 2003 GAAP - NON-GAAP NET EARNINGS RECONCILIATION

	TWELVE WEEKS ENDED		YEAR ENDED
	9/24/03	9/25/02	9/24/03
	-----	-----	-----
Net Earnings (GAAP) . . . . .	\$3,609,041	\$5,947,243	\$20,939,135
Provision for restaurant closings, net of income taxes.	3,360,000	-	3,360,000
	-----	-----	-----
Adjusted Net Earnings (Non-GAAP). . . . .	\$6,969,041	\$5,947,243	\$24,299,135
	=====	=====	=====
 Adjusted Net Earnings increase. . . . .	 +17.2%		 +5.2%

A RECONCILIATION OF ADJUSTED DILUTED EARNINGS PER SHARE TO  
DILUTED EARNINGS PER SHARE IN ACCORDANCE WITH GAAP IS AS FOLLOWS:

### FY 2003 GAAP - NON-GAAP DILUTED EARNINGS PER SHARE RECONCILIATION

	TWELVE WEEKS ENDED		YEAR ENDED	
	9/24/03	9/25/02	9/24/03	9/25/02
	-----	-----	-----	-----
Diluted Earnings per share (GAAP) . . . . .	\$ .13	\$ .22	\$ .77	\$ .83
Provision for restaurant closings, net of income taxes.	.13	-	.13	-
Adjusted Diluted Earnings per share (Non-GAAP). . . . .	\$ .26	\$ .22	\$ .90	\$ .83
	=====	=====	=====	=====
 Adjusted Diluted Earnings per share increase. . . . .	 +18.2%		 +8.4%	