

Granite City Food & Brewery Ltd. Revenues Increase 69% and Comparable Sales Increase 5.1%
2006-08-01

Granite City Food & Brewery Ltd. Reports Record Financial Results for the Second Quarter of 2006

Granite City Food & Brewery Ltd. (Nasdaq:GCFB) today reported the results of operations for the second quarter ended June 27, 2006.

Highlights for the 13 weeks ended June 27, 2006 compared to the 13 weeks ended June 28, 2005 were as follows:

- Sales increased approximately 69% to \$14.4 million
- Comparable restaurant sales increased 5.1%
- Restaurant level EBITDA(a) reached 18.9%
- Continuing leverage of G&A expenses which declined 260 b.p.
- Cash flow from operations increased \$0.7 million
- Narrowed the per share net loss to \$0.04 from \$0.05

Company Performance

For the second quarter of fiscal 2006, total revenue increased 69% to \$14.4 million compared to \$8.5 million for the second quarter of 2005. Comparable restaurant sales increased 5.1% during the second quarter of 2006. The Company reported a net loss of (\$518,521), or (\$0.04) per share in the second quarter of 2006, compared to a net loss of (\$579,322), or (\$0.05) per share for the second quarter of 2005.

"Thanks to the outstanding job of our restaurant staff, we were able to achieve strong second quarter sales growth despite a tough operating environment," said Steve Wagenheim, Granite City Food & Brewery's President and Chief Executive Officer. "We are quite pleased with our 5.1% comparable sales increase. Our positive sales trends are being driven by positive transaction counts, not increases in our average check. We clearly have a strong consumer proposition and we are doing a good job in our restaurants satisfying our customers and delivering on their expectations. I am also proud to say that in the second quarter, Granite City crossed the sales run rate milestone of \$1M per week."

"We have made significant investments in our corporate infrastructure to support our expansion plans. Our net loss in the second quarter was primarily due to our general and administrative expenses in addition to pre-opening expenses associated with our new restaurant development," said Wagenheim. However, we have reached another milestone in that we are now experiencing real leverage on our support and infrastructure costs due to the larger size of our restaurant base. G&A expense decreased to 11.2% of sales in the second quarter compared to 13.8% in the second quarter of 2005. We would expect this trend to continue as we further expand our restaurant base."

Commenting on restaurant-level EBITDA margins, Wagenheim stated, "We are extremely pleased with our restaurant level EBITDA margin which reached 18.9% including the five new restaurants we opened since the second quarter last year. Even better, our mature restaurants, or the restaurants in our comparable store sales base, recorded an EBITDA margin of 21%. The profitability of our store base continues to increase as we grow which gives us a lot of confidence as we start to focus on 2007 development."

"We are well into our development plan for 2007 and 2008," said Wagenheim, "and we are very pleased with the quality of location in our development pipeline, including our newer markets. We are very confident about entering these new areas due to our success in both first and second tier markets throughout the Midwest."

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