

Rubio's Restaurants, Inc. Reports 2006 Second Quarter Earnings
2006-08-03

Revenues rose 3.1% to \$37.2 million from \$36.0 million for the same quarter last year.

Rubio's(R) Restaurants, Inc. (NASDAQ:RUBO) announced financial results for the second quarter and year-to-date ended June 25, 2006.

Second Quarter Results

œ Revenues rose 3.1% to \$37.2 million from \$36.0 million for the same quarter last year.

œ Comparable store sales increased 0.3% (versus comparable store sales increase of 1.2% for the same quarter last year). Transactions increased 1.1% and check average decreased 0.8%.

œ Net income was \$439,000 as compared to net income of \$909,000 for the same quarter last year.

œ Earnings per share were \$0.05 per diluted share as compared to \$0.09 per diluted share for the same quarter last year.

œ Restaurant operating cash flow margins were 16.1% as compared to 17.5% in the same quarter last year.

œ Adjusted EBITDA was \$2.5 million as compared to \$3.1 million for the same quarter last year.

œ Average unit volumes for the trailing four quarters were \$964,000.

The decrease in earnings from a year ago is primarily due to sales not growing at the levels needed to absorb and exceed the incremental costs incurred. The Company is continuing to pursue and implement numerous initiatives to improve sales trends including: menu refinement related to ease-of-use, menu mix management, and profitability analysis; new marketing programs and new products to drive interest in the Rubio's brand; restaurant re-imaging to improve the look, feel, and energy level of our restaurants; people selection programs focused on hiring, training, coaching and retaining caring and committed team members; better delivery of store-level operational standards to improve the overall guest experience; and enhanced guest response and guest feedback programs to better meet the needs of our guests.

The Company continues to see cost pressures on the expense side. Comparing the second quarter in 2006 to the second quarter of 2005, cost of sales were 1.3% of restaurant revenues higher due primarily to lower price point promotions this year and an increase in seafood costs. While restaurant labor stayed consistent with prior year, restaurant occupancy and other expenses continue to reflect higher utility costs and common area maintenance charges. Depreciation and amortization increased by \$158,000 due to new restaurants opened in late 2005 as well as the Company's restaurant re-image program. The Company was able to reverse \$247,000 of store closure accrual by subleasing its Portland location that closed last year. General & administrative expenses increased by \$344,000 primarily due to legal fees and stock compensation expense.

"We continue to focus on enhancements to the overall guest experience at Rubio's in order to improve our sales performance," said Ralph Rubio, Rubio's Chairman and CEO. "In addition, new brand-building initiatives, a new advertising agency partner, and a renewed emphasis on operational excellence will assist us in increasing sales and earnings."

Year-to-Date Results

œ Revenues rose 3.5% to \$72.2 million from \$69.8 million for the same two quarters last year.

œ Comparable store sales increased 0.6% (versus comparable store sales increase of 0.1% for the same time frame last year). Transactions decreased 0.5% and check average increased 1.1%.

œ Net income was \$631,000 as compared to net income of \$1,398,000 for the same two quarters last year.

œ Earnings per share were \$0.07 per diluted share as compared to \$0.14 per diluted share for the same two quarters last year.

œ Restaurant operating cash flow margins were 15.7% as compared to 17.1% in the same quarter last year.

œ Adjusted EBITDA was \$4.5 million as compared to \$5.8 million for the same quarter last year.

The reasons for the decrease in earnings in 2006 as compared to 2005 are consistent with the explanations provided above for the second quarter.

Development Update

œ The Company plans on opening 8 to 10 new restaurants by year end, a slight downward revision due to certain projects being delayed until 2007.

œ The three most recent Company owned restaurants are averaging approximately 30% above the system average. These three restaurants are the first to be built with our new prototype restaurant design which features were used for our re-imaged restaurants as well.

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