

Sbarro, Inc. Announces Results of Operations for the First Quarter Ended April 1, 2007

2007-05-17

Sbarro, Inc. announced today results of operations for the first quarter ended April 1, 2007. The Company's detailed results are included in its Quarterly Report on Form 10-Q which was filed with the SEC on May 16, 2007.

On January 31, 2007, MidOcean SBR Acquisition Corp., an indirect subsidiary of MidOcean SBR Holdings, LLC ("Holdings"), an affiliate of MidOcean Partners III, L.P., and certain of its affiliates ("MidOcean") merged with and into the Company (the "Merger") in exchange for consideration of \$450 million in cash, subject to certain adjustments. Upon consummation of the Merger, all of the outstanding common stock of the Company became owned by Sbarro Holdings LLC, a subsidiary of Holdings.

First Quarter Financial Results

The Company has reported operating results and financial position for all periods presented as of and prior to January 30, 2007 as those of the Predecessor Company and for all periods from and after January 31, 2007 as those of the Successor Company. The Company's operating results for the first quarter ended April 1, 2007 are presented as the combined Predecessor and Successor results since January 1, 2007. This approach is not consistent with U.S. generally accepted accounting principles, however, the Company's management believes that it is a meaningful way to present the results of operations for the first quarter ended April 1, 2007.

Combined revenues were \$81.4 million for the quarter ended April 1, 2007 as compared to \$100.2 million for the quarter ended April 23, 2006. The first combined quarter of 2007 had thirteen weeks as compared to the first quarter of 2006 of sixteen weeks. The three additional weeks in 2006 produced sales of approximately \$19.0 million. Revenues related to our real estate operations which were transferred to the selling shareholders was \$.3 million for 2007 and \$.9 million for 2006. Our revenues increased modestly after adjusting for the above mentioned items, driven by same-store sales growth of 2.7% in our company-owned stores, 3.4% in our domestic franchise stores and 7.0% in our international franchise stores offset by fewer company-owned stores in 2007 versus 2006.

Combined EBITDA, for the first quarter of 2007, as calculated in accordance with the terms of the bank credit agreement, was \$9.9 million for the first quarter ended April 1, 2007 as compared to \$12.7 million for the first quarter ended April 23, 2006. The three additional weeks in 2006 produced EBITDA of approximately \$3 million. Our EBITDA improvement for the comparable thirteen week period resulted from higher sales offset by higher cheese prices and a settlement with a franchise which increased EBITDA by approximately \$.5 million in 2006. As discussed in Exhibit A, EBITDA is a non-GAAP measure that management believes is an important metric for us to report to our investors concerning our ability to meet future debt obligations and to comply with certain covenants in our borrowing arrangements tied to these measures. Also included in Exhibit A is a reconciliation of EBITDA to its most comparable GAAP measure of net loss.

Peter Beaudrault, Chairman of the Board of Sbarro commented, "We are pleased with the continuing improvements in same store sales and the growth in EBITDA during the first quarter. This growth was achieved in a quarter which had a great deal of activity including the closing of our MidOcean transaction and the completion of the sale of our Term Notes and Senior Notes. While managing these transactions, our team was able to remain focused on growth."

MidOcean Partners' Acquisition of Sbarro

On January 31, 2007, MidOcean SBR Acquisition Corp., an indirect subsidiary of MidOcean SBR Holdings, LLC ("Holdings"), an affiliate of MidOcean Partners III, L.P., and certain of its affiliates ("MidOcean") merged with and into the Company (the "Merger") in exchange for consideration of \$450 million in cash, subject to certain adjustments. Upon consummation of the Merger, all of the outstanding common stock of the Company became owned by Sbarro Holdings LLC, a subsidiary of Holdings.

In addition, the former shareholders received a distribution of the cash on hand in excess of (i) \$11 million, plus (ii) all amounts required to be paid in connection with the special event bonuses.

In connection with the Merger, the Company transferred interests in certain non-core assets to a newly formed company owned by certain of our former shareholders. There was no additional consideration given for the transfer of these assets as they were treated as a dividend. The assets and related costs that we transferred (the "Withdrawn Assets") were:

- œ the interests in 401 Broadhollow Realty Corp. and 401 Broadhollow Fitness Center Corp., which own the corporate headquarters of the Company, the fitness center and the assets of the Sbarro Cafe located at the corporate headquarters;
- œ a parcel of undeveloped real property located in East Northport, New York;
- œ the interests in Boulder Creek Ventures LLC and Boulder Creek Holdings, LLC, which own a 40% interest in a joint venture that operates 15 steakhouses under "Boulder Creek" and other names; and
- œ the interest in Two Mex-SS, LLC, which owns a 50% interest in a joint venture that operates two tex-mex restaurants under the "Baja Grill" name.

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