

Kona Grill Updates Fiscal Year 2007 Guidance

2007-05-30

Kona Grill, Inc. (Nasdaq: KONA), an American grill and sushi bar, today updated its guidance for fiscal year 2007 based upon previously unforeseen delays to its restaurant development schedule, as well as reiterated its prior guidance for the second quarter of 2007.

For fiscal year 2007, the Company now expects revenue of \$72 million to \$73.5 million compared to previous revenue expectations of \$73 million to \$75 million. The net loss guidance of \$(1.7) million to (\$0.4) million, or (\$0.29) to (\$0.08) per diluted share, including an estimated \$0.10 to \$0.12 per diluted share impact of stock-based compensation, remains unchanged. The Company currently anticipates opening an additional two new restaurants in fiscal year 2007 in Baton Rouge, LA, and Stamford, CT, both of which are now scheduled to open in the fourth quarter. Locations in Gilbert, AZ; and West Palm Beach, FL, which had previously been expected to open in the fourth quarter of fiscal year 2007, are now expected to open in the first and second quarters of fiscal year 2008, respectively.

For the second quarter of 2007, the Company continues to expect revenue of \$18.1 million to \$18.6 million and a net loss of (\$0.3) million to net profit of \$0.1 million, or (\$0.05) to \$0.02 per diluted share, including an estimated \$0.03 to \$0.04 per diluted share impact of stock-based compensation.

"Regrettably, it now appears that construction and permitting timetables at our planned Gilbert and West Palm Beach locations have made it unlikely for either of these restaurants to open in late fiscal year 2007, and we therefore deemed it necessary to revise our outlook for the year. Although the development slippage has reduced our fiscal year 2007 revenue outlook by \$1 million to \$1.5 million, our bottom-line expectations for the twelve-month period remain unchanged. With regard to future development, the slippage of these two restaurants should be additive to the number of 2008 openings we plan to announce later this year. We view these delays as a temporary setback and remain confident in the soundness of our business model, our proven unit economics, and ability to move towards profitability in the near future. The addition of Mark Bartholomay as Senior Vice President of Development on May 16 is expected to improve our ability to manage new restaurant development schedules," said Marcus E. Jundt, Chief Executive Officer of Kona Grill.

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