

Sbarro, Inc. Announces Results of Operations for the Second Quarter and Six Months Ended July 1,  
2007  
2007-08-15

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Revenues were \$82.6 million for the quarter ended July 1, 2007 as compared to \$74.3 million for the quarter ended July 16, 2006.

### **Second Quarter Financial Results**

Revenues were \$82.6 million for the quarter ended July 1, 2007 as compared to \$74.3 million for the quarter ended July 16, 2006. The second quarter of 2007 consisted of thirteen weeks as compared to the second quarter of 2006 which consisted of twelve weeks. The one week difference generated revenues of approximately \$6.3 million. Revenues related to our real estate operations, which were transferred to certain of our former shareholders in January 2007, were \$.5 million for the second quarter 2006. After adjusting for these items, our revenues increased, driven by same-store sales growth of 3.0% in our company-owned stores, 4.6% in our domestic franchise stores and 3.7% in our international franchise stores.

EBITDA, as calculated in accordance with the terms of the Company's bank credit agreement, was \$10.8 million for the second quarter ended July 1, 2007 as compared to \$10.0 million for the second quarter ended July 16, 2006. The one week difference generated EBITDA of approximately \$1.3 million. The decline in EBITDA resulted from an increased cost of products, in particular in the cost of cheese, of approximately \$0.7 million in the period which offset improved profitability generated by increased sales.

### **Year to Date Financial Results**

The Company has reported operating results and its 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 six months ended July 1, 2007 are presented as the combined results of the Predecessor and Successor companies. The presentations of "Combined" results is not consistent with the requirements of 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 six months ended July 1, 2007.

Combined revenues were \$163.1 million for the six months ended July 1, 2007 as compared to \$173.4 million for the six months ended July 16, 2006. The combined six months of 2007 consisted of twenty six weeks as compared to the six months of 2006 which consisted of twenty eight weeks. The two additional weeks in 2006 generated revenues of approximately \$12.7 million. Revenues related to our real estate operations, which were transferred to certain of our former shareholders in January 2007, were \$.3 million for 2007 and \$1.4 million for 2006. After adjusting for these items, our revenues increased, driven by same-store sales growth of 2.9% in our company-owned stores, 4.5% in our domestic franchise stores and 5.3% in our international franchise stores.

Combined EBITDA for the six months of 2007, as calculated in accordance with the terms of the Company's bank credit agreement, was \$20.7 million as compared to \$22.6 million for the six months ended July 16, 2006. The two additional weeks in 2006 produced EBITDA of approximately \$1.7 million. Our EBITDA was essentially flat as cost of product, in particular the cost of cheese, increased by \$.8 million which offset improved profitability generated by increased sales.

Our last twelve months EBITDA as calculated in accordance with the Company's Bank Credit Agreement was \$60.0 million.

Peter Beaudrault, Chairman of the Board, President and CEO of Sbarro commented, "We are pleased with the continuing growth in same store sales in both our company owned QSR stores and in our franchised stores. In addition, our company owned new store openings are ahead of our expectations while our franchise store openings continue to make progress. Our international pipeline of new stores now exceeds 1,000." Mr. Beaudrault further commented, "Our EBITDA for the first half was essentially flat as we absorbed approximately \$.8 million in additional costs related to cheese which offset improved profitability generated by increased sales."

### **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. As a result of the Merger, the Company is now an indirect wholly owned 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:

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;

a parcel of undeveloped real property located in East Northport, New York;

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

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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