

Red Robin Gourmet Burgers Reports Earnings for the Fiscal Second Quarter 2007

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Settles California Litigation; Board of Directors Authorizes \$50 Million in Stock Repurchase

Red Robin Gourmet Burgers, Inc., (NASDAQ: RRGB), a casual dining restaurant chain focused on serving an innovative selection of high-quality gourmet burgers in a family-friendly atmosphere, today reported financial results for the twelve and twenty-eight weeks ended July 15, 2007. The Company also updated its outlook for the full year 2007 and provided its new restaurant opening plan for the full year 2008.

The second fiscal quarter of 2007 results included a \$1.61 million pre-tax charge related to the previously announced acquisition of the 15 restaurants from California franchisees, which decreased diluted earnings per share by \$0.07. In addition, the Company incurred pre-tax general and administrative expenses of \$0.2 million for costs related to the integration of the California restaurant acquisition, which decreased diluted earnings per share by \$0.01. Also included in the second quarter 2007 financial results is a legal settlement expense of \$1.65 million related to the settlement of the California wage and hour litigation, which decreased diluted earnings per share by \$0.07.

Financial and Operational Highlights

Highlights for the twelve weeks ended July 15, 2007, compared to the twelve weeks ended July 9, 2006, are as follows:

Total revenues increased 31.5% to \$178.6 million

Restaurant revenue increased 32.4% to \$174.9 million

Company-owned comparable restaurant sales increased 3.1%

Restaurant-level operating profit was 20.0% or \$34.9 million

GAAP diluted earnings per share were \$0.29, which included a \$0.07 charge for reacquired franchise costs, a \$0.01 charge for acquisition related integration expenses, \$0.07 in legal settlement expense discussed below, and \$0.07 in stock compensation expense vs. GAAP diluted earnings per share of \$0.43 last year, which included \$0.05 in stock compensation expense

A total of 11 new Red Robin(R) restaurants, 9 company-owned and 2 franchised locations were opened during the twelve-week period

Highlights for the twenty-eight weeks ended July 15, 2007, compared to the twenty-eight weeks ended July 9, 2006, are as follows:

Total revenues increased 27.6% to \$390.9 million

Restaurant revenue increased 28.3% to \$381.9 million

Company-owned comparable restaurant sales increased 1.1%

Restaurant-level operating profit was 20.1% or \$76.7 million

GAAP diluted earnings per share were \$0.74, which included a \$0.07 charge for reacquired franchise costs, a \$0.01 charge for acquisition related integration expenses, \$0.07 in legal settlement expense, and \$0.15 in stock compensation expense vs. GAAP diluted earnings per share of \$0.87 last year, which included \$0.13 of stock compensation expense

A total of 29 new Red Robin restaurants, 18 company-owned and 11 franchised locations were opened during the twenty-eight week period

As of the end of the fiscal second quarter of 2007, there were 240 company-owned and 133 franchised Red Robin restaurants.

'Our second quarter results reflect the positive impact of our national media campaign as well as improved performance from our current year restaurant openings. Given the recent challenges faced by the casual dining industry in sustaining guest counts, we are encouraged by our positive traffic trends. Over time, we believe raising national brand awareness for Red Robin will drive system-wide restaurant sales, particularly in those markets where we have not had a long operating history. In addition, our new 2007 restaurants are benefiting from the new restaurant opening initiatives we implemented in the first quarter to ensure a great Red Robin experience for all our guests at these new locations. The positive results we have seen so far from these efforts gives us renewed confidence in our growth strategy as we look to accelerate development next year and continue to build the Red Robin brand,' said Dennis B. Mullen, chairman and chief executive officer.

Litigation Settlement

On August 7, 2007, the Company entered into memoranda of understanding to settle the claims brought by certain plaintiffs under wage and hour laws in the state of California. In connection with these settlements, the Company has recorded a pre-tax charge of \$1.65 million for the estimated payments, costs and administrative expenses of the settlement liabilities. The settlements are subject to court approval, following which the Company believes all of its pending California wage and hour matters will be resolved.

Fiscal Second Quarter 2007 Results

Comparable restaurant sales increased 3.1% for company-owned restaurants in the fiscal second quarter of 2007 compared to the fiscal second quarter of 2006, driven by a 2.4% increase in the average guest check as well as a 0.7% increase in guest counts. Average weekly comparable sales for company-owned restaurants were \$65,553 for the 162 comparable restaurants in the fiscal second quarter of 2007, compared to \$65,404 for the 137 comparable restaurants in the fiscal second quarter of 2006. Average weekly sales for the 50 non-comparable company-owned restaurants were \$59,979 in the fiscal second quarter of 2007, compared to \$58,330 for the 43 non-comparable restaurants in the fiscal second quarter a year ago. Average weekly sales in the fiscal second quarter of 2007 for the 13 restaurants acquired from the Washington franchisee were \$85,599, and average weekly sales for the four weeks for the 17 existing California former franchise restaurants in the fiscal second quarter of 2007 were \$69,999.

Total Company revenues, which include company-owned restaurant sales and franchise royalties and fees, increased 31.5% to \$178.6 million in the fiscal second quarter of 2007, versus \$135.9 million last year. Franchise royalties and fees decreased (1.1%) to \$3.7 million in the fiscal second quarter of 2007 compared to \$3.8 million in the same period a year ago. Franchise royalties in the fiscal second quarter 2006 included \$0.8 million from royalties attributed to the acquired restaurants in both Washington and California.

For the fiscal second quarter of 2007, the Company's U.S. franchise restaurant sales of \$88.1 million were relatively flat compared to \$88.1 million in the prior year period. Comparable sales in the fiscal second quarter of 2007 for franchise restaurants in the U.S. and Canada increased 0.2% and 2.9% over the fiscal second quarter of 2006, respectively. Average weekly sales in the fiscal second quarter of 2007 for the Company's comparable franchise restaurants were \$58,481 in the U.S. versus \$60,806 for the same period the prior year, and C\$50,440 in Canada versus C\$48,668 in the same period last year. Canadian results are in Canadian dollars.

Restaurant-level operating profit margins at company-owned restaurants were 20.0% in the fiscal second quarter of 2007 compared to 21.7% in the fiscal second quarter of 2006. Fiscal second quarter 2007 restaurant-level operating profit margins were negatively impacted primarily by higher cost of sales, mostly non-chicken proteins, dairy and cheese, as well as higher other costs, principally contributions to the national marketing fund, travel and utilities.

The Company's restaurant-level operating profit metric does not represent income from operations or net income calculated in accordance with generally accepted accounting principles ("GAAP"). Schedule I of this earnings release reconciles restaurant-level operating profit to income from operations and net income for all periods presented.

General and administrative expense was \$14.0 million in the fiscal second quarter of 2007 and \$11.4 million in the fiscal second quarter of 2006, which were 7.9% and 8.4% of total revenue, respectively. Included in general and administrative expense in the fiscal second quarter of 2007 is \$0.2 million in pre-tax costs associated with the integration of the acquired restaurants in California.

Reacquired franchise costs in the fiscal second quarter of 2007 represents a one-time pre-tax charge of \$1.61 million relating primarily to the termination of franchise agreements for certain of the acquired California restaurants that operated at a royalty rate lower than current market royalty rates.

Legal settlement expenses of \$1.65 million in the second fiscal quarter of 2007 represent the estimated costs to be incurred in connection with the recent settlement of the California wage and hour lawsuits.

Interest expense was \$1.9 million in the fiscal second quarter of 2007 and \$0.9 million in the fiscal second quarter of 2006. The increase is primarily from additional borrowings under the Company's credit facilities related to the Washington and California franchise acquisitions, offset by slightly lower average interest rates compared to the prior year.

Net income for the fiscal second quarter of 2007 was \$4.9 million or \$0.29 per diluted share, as compared to net income of \$7.2 million, or \$0.43 per diluted share, in the fiscal second quarter of 2006. Net income for the fiscal second quarter of 2007 included a \$1.61 million one-time pre-tax charge, or \$0.07 per diluted share, relating to reacquired franchise costs, \$0.2 million additional pre-tax general and administrative expenses related to the integration of the acquisition, or \$0.01 per diluted share after tax, \$1.65 million in pre-tax legal settlement expense, or \$0.07 per diluted share after tax, and \$1.8 million in pre-tax stock compensation expense, or \$0.07 per diluted share after tax. Net income for the fiscal second quarter of 2006 included \$1.4 million in pre-tax stock compensation expense, or \$0.05 per diluted share after tax.

Year to Date Results

Comparable restaurant sales increased 1.1% for Company-owned restaurants in the twenty-eight weeks ended July 15, 2007, over the year ago comparable period, driven by a 2.9% increase in the average guest check, which was offset by a (1.7%) decrease in guest counts. Comparable sales in the twenty-eight week period for franchise restaurants in the U.S. decreased (1.0%) and franchise restaurants in Canada increased 3.1%, over the year ago comparable period.

Total Company revenues, which include Company-owned restaurant sales and franchise royalties and fees, increased 27.6% to \$390.9 million for the twenty-eight weeks ended July 15, 2007, compared to \$306.4 million for the twenty-eight weeks ended July 9, 2006. Average weekly comparable sales for Company-owned restaurants were \$64,232 for the 162 comparable

restaurants in the first twenty-eight weeks of 2007 compared to \$65,371 for the 137 comparable restaurants in the first twenty-eight weeks a year ago. Average weekly non-comparable sales for 61 Company-owned restaurants in the first twenty-eight weeks of 2007 were \$56,483 compared to \$57,544 for the 50 non-comparable restaurants in the first twenty-eight weeks a year ago. The Company's franchise royalties and fees increased 4.4% to \$8.9 million compared to \$8.5 million in the comparable period a year ago. Franchise royalties in the twenty-eight weeks ended July 9, 2006 included \$1.9 million from royalties attributed to the acquired restaurants in Washington and California.

For the twenty-eight weeks ended July 15, 2007, Red Robin's franchise system reported a decrease in total U.S. franchise restaurant sales of (1.6%), to \$201.1 million, compared to \$204.4 million in the twenty-eight weeks ended July 9, 2006. Average weekly sales for Red Robin's comparable franchise restaurants were \$57,512 in the U.S. versus \$60,812 for the comparable period last year, and C\$48,760 in Canada versus C\$47,180 for the comparable period last year. Canadian results are in Canadian dollars.

Restaurant-level operating profit margin was 20.1% for the first twenty-eight weeks of 2007 compared to 21.2% for the comparable period of 2006.

The Company's restaurant-level operating profit metric does not represent income from operations or net income calculated in accordance with generally accepted accounting principles ("GAAP"). Schedule I of this earnings release reconciles restaurant-level operating profit to income from operations and net income for all periods presented.

General and administrative expense was \$33.0 million for the first twenty-eight weeks of 2007 compared to \$27.2 million for the same period of 2006, which were 8.4% and 8.9% of total revenue, respectively. Included in general and administrative expense in the first twenty-eight weeks of 2007 was \$0.2 million in pre-tax costs associated with the integration of the acquired restaurants.

Net income for the twenty-eight weeks ended July 15, 2007 was \$12.4 million or \$0.74 per diluted share, compared to net income of \$14.5 million or \$0.87 per diluted share in the prior year period. Net income for the first twenty-eight weeks of 2007 included a one-time charge of \$0.07 per diluted share relating to reacquired franchise costs, general and administrative expenses of \$0.01 per diluted share related to the integration of the acquisition, legal settlement expenses of \$0.07 per diluted share, and stock compensation expense of \$0.15 per diluted share, while net income of \$0.87 for the first twenty-eight weeks of 2006 included stock compensation expense of \$0.13 per diluted share.

Franchise Acquisition

On June 18, 2007, the Company closed on the acquisition of 15 of the 17 existing franchised Red Robin restaurants in the state of California from Top Robin Ventures and Morite of California. The purchase price paid for the initial 15 restaurants was approximately \$44.3 million. The purchase price was paid in cash, funded through borrowings under the Company's new \$300 million amended credit facility.

On July 16, 2007, and subsequent to the end of the fiscal second quarter, the Company acquired the assets of one of the remaining two existing franchised restaurants and acquired a new restaurant that had been under construction at the time of the original acquisition closing. The existing restaurant has been operated by the Company since the original closing under a management services agreement. The Company paid consideration for the existing restaurant of \$3.3 million. The new restaurant was purchased for \$1.3 million, which was comprised of construction and related costs, including costs of opening the restaurant. One other Top Robin restaurant continues to be managed by the Company under a management services agreement. As previously disclosed, there is also the potential for up to an additional \$3 million in earn-outs to be paid to the sellers assuming all 18 of the acquired restaurants achieve certain 2007 sales targets. Through the second quarter 2007, approximately \$1.5 million of this additional earn-out has been earned by the seller.

Outlook

For the fiscal third quarter of 2007, which is a twelve week quarter, the Company has completed all five openings that it expected to open in this quarter. Franchisees are expected to open one to two new franchised restaurants. Seven company-owned and four franchise restaurants are currently under construction. In fiscal 2007, the Company plans to open 25 to 26 new company-owned units, of which 23 are already open, while franchisees are expected to open 14 to 15 new restaurants, of which 11 are already open.

For the full year 2007, which is a 52-week fiscal period, the Company expects revenues of \$760 to \$772 million, including an expected comparable restaurant sales increase of approximately 2% to 3.5%. The 2007 revenue assumptions also reflect the impact of an approximate 2.9% price increase which is expected to be implemented in September. Net income is expected to be between \$1.65 and \$1.76 per diluted share on a GAAP basis which includes a \$0.07 per diluted share charge related to reacquired franchise costs, a \$0.01 per diluted share charge for acquisition related integration expenses, a \$0.07 per diluted share charge related to the settlement of the California wage and hour lawsuits, and a \$0.28 to \$0.30 per diluted share impact for stock compensation expense.

The Company's fiscal 2007 financial guidance also includes the launch of a national advertising campaign. Total 2007 spending is expected to be approximately \$11.0 million to \$11.5 million which will be funded by a national advertising fund, whereby each restaurant in the system, company-owned and franchised, is contributing approximately 1% of their restaurant revenue. The company-owned restaurants began contributing an incremental 0.5% in March 2007 to the national advertising fund, with the remaining 0.5% contributions coming from the reallocation of historical marketing spending.

For the full year 2008, the Company expects to open 30 to 33 new company-owned restaurants with franchisees opening 13 to 15 new franchised restaurants.

The Company announced yesterday that Pattye Moore, the former President of Sonic Corp. (Nasdaq: SONC), has joined the Company's board of directors effective August 15, 2007.

Lastly, the Company's board of directors authorized the repurchase of up to \$50 million in the Company's common stock. Stock repurchases may be made from time to time in open market transactions and through privately negotiated transactions.

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