

Max & Erma's Restaurants, Inc. \$968,000 net loss reported for third quarter 2007

2007-09-20

Max & Erma's Restaurants, Inc. Reports Third Quarter Results

Third Quarter Highlights:

Todd Barnum announces retirement, Robert A. Lindeman elected CEO

Mike Nahkunst, former Brinker and Cheesecake Factory operations executive, elected EVP and COO

\$968,000 net loss reported for third quarter 2007

Two Company-owned and one franchised restaurant scheduled to open in fourth quarter 2007

Two Company-owned and eight franchised restaurants planned for 2008

Cost cutting measures totaling \$1.5 million to be implemented

Company to explore strategic alternatives

Q3 Results

Revenues for the third quarter fell 3.6% from \$40.6 million for the third quarter of 2006 to \$39.2 million for the third quarter of 2007. Net loss and net loss per share increased from \$(295,000) or \$(0.12) per diluted share for the third quarter of 2006 to (\$968,000) or \$(0.38) per diluted share for the third quarter of 2007. Results for the third quarter include a pre-tax asset impairment charge of \$431,000 for 2007 and \$339,000 for 2006.

Year-to-date revenues decreased 3.7% from \$141.0 million for 2006 to \$135.9 million for 2007. Year-to-date the Company reported a net loss of \$(321,000) or \$(0.13) per diluted share for 2007 as compared to \$(165,000) or \$(0.06) per diluted share for 2006. Results for all of 2007 and 2006 include \$431,000 and \$844,000 asset impairment charges, respectively.

Barnum Retirement, Election of Lindeman as CEO and Nahkunst as COO

The Company announced that Todd Barnum, Chairman of the Board and Chief Executive Officer, has retired effective September 19, 2007. Mr. Barnum will remain on the Company's Board of Directors and continues to serve as non-executive Chairman of the Board. Mr. Barnum, age 65, said: 'After over 35 years at Max & Erma's it is time to take a less active role, but I will continue to remain very involved in the Company as a board member and large stockholder.' Barnum and his partner, the late Barry Zacks, bought the first Max & Erma's in the German Village section of Columbus in the summer of 1972. The original intent was to convert the shot-and-a-beer bar into the first gourmet hamburger restaurant in the Midwest. After opening the first restaurant on Dec. 28, 1972, Barnum oversaw the Company's expansion to 101 restaurants in 11 states. The Board of Directors, in accepting Mr. Barnum's retirement, expressed its appreciation to Mr. Barnum for his service to the Company.

The Company's Board has elected President Robert A. Lindeman, age 39, to the additional position of Chief Executive Officer. Lindeman's move into the role of CEO is part of a planned transition, which began when he became company president in September 2005. Mr. Lindeman has over 18 years of experience with Max & Erma's rising through the ranks from a restaurant assistant manager to President in September 2005. Prior that time, he served as the Company's Chief Development Officer where he oversaw franchising of Company restaurants.

Mr. Lindeman said: 'There are many challenges both within the Company and the casual restaurant operating environment, but I also believe that the core strengths of Max & Erma's offer many opportunities as well. I look forward to the challenge and excitement of this new position. It's a great opportunity with a great company, and I'm very excited about our future. With that said, I'm also very humbled to be taking over for Todd. He's been a great mentor and the face of Max & Erma's for nearly 35 years.' Mr. Barnum stated: 'I am pleased with the promotion of Rob Lindeman to the CEO position. Rob has displayed the leadership characteristics and knowledge of our business and industry that will serve us well in the future under his leadership. Rob has a terrific vision for this brand, and I have no doubt that he is the right person to head this company. In his 18 years with Max & Erma's, Rob has demonstrated exceptional leadership skills every step of the way.'

As announced last week, the Company recently elected Michael A. Nahkunst as Executive Vice President and Chief Operating Officer. Mr. Nahkunst has been actively involved in the casual dining segment of the restaurant industry for over 30 years. He has served as Senior Vice President of New Concept Development of Chili's, Executive Vice President and Chief Operating Officer of Cheesecake Factory and Chief Operating Officer of BJ's Restaurants.

Mr. Lindeman stated that 'The addition of Mike Nahkunst is part of a reorganization of the Company's operations department, and other cost saving measures, which are expected to result in savings of over \$1 million annually. Mr. Nahkunst will be charged with improving customer satisfaction and building same-store sales.'

Q3 Detail

The revenue decline for both the quarter and year-to-date periods is essentially a result of same-store sales declines of 3.6% and 3.4% for the quarter and year-to-date periods, respectively. The Company continues to experience sales pressure from the overall economy and a sluggish sales environment for casual dining. Margins have been impacted by the sales declines and an increase in the Ohio minimum wage. On a positive note, Mr. Lindeman added that restaurants remodeled to the Company's new prototype look are performing very well. The seven restaurants remodeled prior to the start of the third quarter of 2007 reported a 3.2% increase in same-store sales, almost a seven percentage point improvement over the entire chain.

Exploration of Strategic Alternatives

During the third quarter the Company expensed \$130,000 of professional fees and costs associated with the exploration of strategic alternatives for the Company. The Company's third quarter results and a volatile debt market have made prospects for an equity investment in the Company or the sale of the Company a difficult process. Nonetheless, the Company will continue to pursue strategic alternatives which could include the sale of the Company, an equity investment in the Company, the sale of Company-owned restaurants to a franchisee or group of franchisees, or other actions. There can be no assurance that the Company will be successful in securing an equity investment, the sale of the Company, the sale of restaurants to franchisees or other third parties, or in any other transaction affecting the capitalization of the Company.

Future Restaurant Openings Planned

Looking forward, Mr. Lindeman stated that 'The Company plans to open two restaurants during the fourth quarter of 2007 in Clinton Township, Michigan, a suburb of Detroit and Washington, Pennsylvania. A third restaurant will open early in the first quarter of 2008 in Pickerington, Ohio, a Columbus suburb. All three restaurants were under construction at the end of the third quarter of 2007. Tentative plans are for one additional Company-owned restaurant in late 2008.' Mr. Lindeman went on to say that 'One franchised restaurant has opened early in the fourth quarter of 2007 in Merrillville, Indiana, bringing total franchised openings to four during 2007. Eight to nine franchised openings are expected during 2008.'

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