

Kona Grill Shows Q3 Profit

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Company Raises 2007 Earnings Guidance

Kona Grill, Inc. (Nasdaq: KONA), an American grill and sushi bar, today reported results for its third quarter ended September 30, 2007.

Highlights for the third quarter of 2007 include:

Revenue increased 39.1% to \$19.2 million

Same-store sales increased 4.9%

Restaurant operating profit increased 51.9% to \$4.1 million

Net income of \$0.4 million, or \$0.07 per diluted share, including non-cash stock-based compensation expense of \$0.1 million, or \$0.02 per diluted share

Highlights for the first nine months of 2007 include:

Revenue increased 51.0% to \$54.2 million

Same-store sales increased 4.0%

Restaurant operating profit increased 46.9% to \$10.9 million

Net income of \$0.2 million, or \$0.03 per diluted share, including non-cash stock-based compensation expense of \$0.5 million, or \$0.07 per diluted share

'We are very pleased with our financial results for the third quarter, which exceeded forecast for both the top and bottom lines. Our same-store sales growth of 4.9% demonstrates the strength of the Kona Grill brand in spite of the challenging consumer environment, and our concept continues to generate one of the highest operating profit margins in the industry. Overall, we remain confident that our business model can generate long-term shareholder value,' said Marcus E. Jundt, Chief Executive Officer of Kona Grill.

Third Quarter Financial Results

Revenue increased 39.1% to \$19.2 million during the third quarter of 2007 from \$13.8 million during the same period last year. The growth in revenues is attributable to additional revenue from four restaurants opened since October 2006 and a 4.9% increase in same-store sales, reflecting higher menu pricing.

Average weekly sales for the nine restaurants in the comparable base were \$99,098 during the third quarter of 2007, compared to \$94,494 in the prior year period. Average weekly sales for restaurants not in the comparable base that were open the entire quarter were \$83,912 during the third quarter this year compared to \$75,068 during the same period last year, an 11.8% increase.

Net income for the third quarter of 2007 was \$0.4 million, or \$0.07 per diluted share, based upon 6.2 million diluted shares, versus a net loss of (\$0.5) million or (\$0.08) per diluted share last year, based upon 5.8 million diluted shares.

First Nine Months Financial Results

Revenue increased 51.0% to \$54.2 million during the first nine months of 2007 from \$35.9 million in the same period last year. Same-store sales increased 4.0%. In the first nine months of 2006, the Company experienced 5.1% growth in same-store sales.

Net income for the nine months ended September 30, 2007 was \$0.2 million, or \$0.03 per diluted share based upon 6.2 million shares. This compares to a net loss of (\$1.7) million, or (\$0.29) per diluted share, based upon 5.8 million diluted shares in the prior year period.

Financial Guidance

For the fourth quarter of 2007, the Company forecasts revenue of \$18.6 million to \$19.1 million and a net loss of (\$0.8) million to (\$0.5) million, or (\$0.14) to (\$0.09) per share. The earnings per share range includes the impact of expensing non-cash stock-based compensation which is estimated to be \$0.03 to \$0.04 per diluted share for the fourth quarter of 2007. The Company plans to open a restaurant in Stamford, CT in early November and a restaurant in Baton Rouge, LA in December.

For fiscal year 2007, the Company has narrowed its anticipated revenue guidance to between \$72.8 million and \$73.3 million and anticipates an improved net loss per share of (\$0.05) to (\$0.10) versus prior guidance, including an estimated \$0.10 to \$0.12 per diluted share for non-cash stock-based compensation. The Company intends to open four restaurants in 2007, of which two have already opened.

The Company anticipates opening six new restaurants in 2008 with two in the second quarter, one in the third quarter and three in the fourth quarter. The 2008 development schedule includes the previously announced restaurants in Gilbert, AZ and West Palm Beach, FL, a restaurant in North Scottsdale, AZ and three additional units to be named at a later date.

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