

O'Charley's Inc. Same-store sales for the third quarter declined 1.7 percent

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O'Charley's Inc. Reports Results for Third Fiscal Quarter of 2007

O'Charley's Inc. (Nasdaq: CHUX), a leading casual-dining restaurant company, today reported revenues and earnings per share for the 12-week period ended October 7, 2007. The Company also revised its outlook for the 2007 fiscal year.

Financial and Operating Highlights

Third-quarter revenue rose 0.9 percent to \$220.9 million from \$219.0 million in last year's third quarter. Same-store sales for the third quarter declined 1.7 percent at O'Charley's company-operated restaurants and 0.8 percent at Stoney River Legendary Steaks, and increased 1.5 percent at the Ninety Nine restaurants.

Restaurant level margin, which the Company defines as restaurant sales minus cost of restaurant sales, increased to \$37.6 million, or 17.2 percent of restaurant sales from \$34.7 million, or 16.0 percent of restaurant sales in the prior year quarter. Reductions in cost of food and beverage and restaurant operating costs as a percent of restaurant sales were partially offset by increases in payroll and benefits costs.

Subsequent to the end of the third quarter, the Company closed one underperforming O'Charley's restaurant and recorded related impairment charges. The Company also recorded impairment charges for one Stoney River restaurant and one Ninety Nine restaurant that will remain open. These asset impairments, which were not included in the Company's previously-issued guidance, reduced third quarter income from operations by \$3.5 million, and earnings by \$0.10 per diluted share.

The Company reported income from operations in the quarter of \$1.0 million, and a net loss of \$0.4 million, or \$0.02 per diluted share. Results for the quarter include severance and relocation charges relating to previously-announced organizational changes of \$0.05 per diluted share, charges relating to the previously announced supply chain changes of \$0.04 per diluted share, restaurant impairment charges of \$0.10 per diluted share, and impairment, pre-opening, and depreciation charges for the Company's re-branding initiatives of \$0.03 per diluted share. Given the Company's year-to-date performance against its financial targets, results for the quarter also include a benefit of \$0.04 per diluted share for the reversal of prior-period bonus accruals.

Excluding these items, income from operations in the quarter was \$7.6 million, or 3.4 percent of revenue, and net earnings were \$3.8 million or \$0.16 per diluted share. In the prior year quarter, income from operations was \$6.1 million, or 2.8 percent of revenue, and net earnings were \$2.1 million or \$0.09 per diluted share. Results for the prior year quarter included net gains from asset dispositions of \$0.02 per diluted share, and impairment, pre-opening, and depreciation charges for the re-branding initiatives of \$0.01 per diluted share.

For the third quarter of 2007, the Company recognized an income tax benefit of \$1.3 million. Based upon the Company's anticipated full year results, the estimated effective tax rate applied to pretax profit for fiscal 2007 is 5.1%. Since this is lower than the estimated rate applied to the first two quarters of the year, the third quarter income tax benefit includes a change in estimate of \$1.0 million, or \$0.04 per diluted share to adjust the year-to-date amount. The third quarter income tax provision also includes a benefit of \$0.3 million, or \$0.01 per diluted share for the true-up of the 2006 tax provision related to the filing of tax returns in the quarter.

During the third quarter of 2007, the Company repurchased 1.9 million shares of its common stock under its previously announced share repurchase authorization.

The Company revised its previously issued full-year earnings guidance and stated that it expects to report net earnings per diluted share of between \$0.42 and \$0.47 for the fiscal year ending December 30, 2007. This guidance reflects expected charges and expenses relating to the sale of the commissary and other supply chain changes of \$0.30 per diluted share for the fiscal year, as well as the other items discussed earlier in this release.

'We continued to increase average check in all three of our concepts,' said Gregory L. Burns, chairman and chief executive officer of O'Charley's Inc. 'However, the difficult consumer environment and competitor discounting contributed to a reduction in guest counts at all three concepts and declines in same-store sales at O'Charley's and Stoney River. While we are disappointed with our sales performance, we believe that the 120 basis point improvement in restaurant-level margin, and significant improvement in our adjusted earnings per share provides evidence that our transformation efforts are on track to position the Company for long-term growth and profitability. During the fourth quarter of 2007, we plan to continue implementing our strategic initiatives to build a winning team, improve the box economics, and enhance guest loyalty.'

'During the third quarter, we completed five 'Project RevO'lution' re-brandings at O'Charley's restaurants, and 11 'Dressed to the Nines' re-brandings at Ninety Nine restaurants. Since the inception of these re-branding initiatives, we have completed 23 'Project RevO'lution' and 36 'Dressed to the Nines' re-brandings. We are enthusiastic about the response of our team members and to the new concept elements and service standards, and we continue to be pleased with the results. We plan to complete an additional six 'Project RevO'lution' and six 'Dressed to the Nines' re-brandings in the fourth quarter of 2007, and are developing plans to accelerate the pace of the re-brandings in 2008.'

O'Charley's Restaurants

Restaurant sales for company-operated O'Charley's decreased 0.2 percent to \$135.7 million for the third quarter, reflecting the addition of six new company-operated restaurants and the closing of three company-operated restaurants since the third quarter of 2006. The same-store sales decrease of 1.7 percent was comprised of a 4.8 percent increase in average check offset by a 6.2 percent decrease in guest counts. Average check for company-operated restaurants in the third quarter was \$12.69. One company-operated O'Charley's restaurant opened during the third quarter, and one company-operated restaurant closed, bringing the total number of company-operated restaurants to 229 at the end of the quarter.

'We began the phase out of Kids Eat Free during the second quarter of 2006, and by the end of the third quarter of 2007 have reduced its availability by approximately 80 percent. As we expected, the phase out of Kids Eat Free has resulted in average check increases and guest count declines, as price-sensitive customers visit O'Charley's less frequently,' Burns said. 'Even with the guest count declines, restaurant level margins in the O'Charley's concept increased, which reflects the management team's focus on driving more profitable sales and controlling costs. Given the challenging consumer environment and competitor discounting of the past few quarters, the impact on guest counts of phasing out Kids Eat Free has been greater than we initially anticipated. Nevertheless, we continue to believe that the Kids Eat Free offering is not consistent with the positioning of the brand, and that its phase out will enhance O'Charley's consumer appeal and financial performance.'

'Our 'Flavor Road' promotion began in late August and featured adventuresome takes on traditional dishes developed by Stephen Bulgarelli, our new vice president of culinary development. Menu offerings included beer battered onion rings, O'Charley's Good Time Grillers, cedar-planked salmon chopped salad, Key West citrus chicken, New York pizza pie pasta, peppercorn steak, and Louisiana sirloin. As a unique finish to a great meal, the promotion featured a dessert of warm donuts tossed tableside in cinnamon sugar. In addition to this limited time offer, O'Charley's launched its first annual 'Stuff the Bus' program. Partnering with local television and radio stations in 20 markets, our guests and team members donated over \$100,000 in school supplies, enabling thousands of needy children to begin the school year with new back packs and much needed supplies.'

Ninety Nine Restaurants

Restaurant sales for Ninety Nine increased 1.3 percent to \$72.8 million in the third quarter, reflecting the addition of three new restaurants and the closing of two restaurants since the third quarter of 2006. The same-store sales increase of 1.5 percent was comprised of a 3.8 percent increase in average check partially offset by a 2.1 percent decrease in guest counts. Average check in the third quarter was \$14.66. During the quarter, Ninety Nine opened one new restaurant, bringing the total number of Ninety Nine restaurants to 114 at the end of the quarter.

'Given the challenging consumer and competitive environment in New England, we believe that our positive same-store sales performance through the first three quarters of 2007 continues to serve as a testament to the strength of the Ninety Nine concept and its management team, and the initial success of our 'Dressed to the Nines' re-branding initiative,' said Burns. 'Our 'Savor the Flavor' menu promotion began on September 10 and will continue through November 4. The items highlighted in this promotion have distinctive sweet and/or savory flavors, and include entrée choices such as Pacific Rim scallops, chicken marsala, filet mignon, boneless buffalo wing salad, and a Sweet & Smoky Steakburger. The promotion also features our new Kaboom shrimp appetizer, and new beverages such as Blueberry Apple Rumba Colossal Cocktail, and the Blueberry Mango Margarita. The design and layout of this promotional menu reflects many of the design elements of 'Dressed to the Nines,' while our radio advertising is focusing on the many reasons for our guests to visit the Ninety Nine.'

Stoney River Legendary Steaks Restaurants

Third-quarter sales for Stoney River Legendary Steaks increased 20.5 percent to \$8.5 million, which reflects a sales decrease of 0.8 percent at the seven restaurants included in the same-store sales base, and sales at the new restaurants in Nashville, TN., Chesterfield, MO., and Atlanta, GA. The same-store sales decrease consisted of a 10.2 percent increase in average check offset by a 10.0 percent decline in guest counts. Average check for Stoney River in the third quarter was \$45.41.

'Unlike a number of our upscale steakhouse competitors, Stoney River did not offer discounts or coupons in the third quarter,' Burns noted. 'We believe that this contributed to the guest count decline, particularly in our weekend business and among our more price-sensitive customers. In order to continue strengthening its position and broadening its appeal, Stoney River plans to introduce a new fall and winter menu featuring a warm spinach salad, a mushroom crusted New York strip steak with a cabernet tarragon sauce, a crispy pork outlet with creamed corn and apple chutney, and a cheesecake with chocolate praline sauce.'

Revised Outlook for Fiscal-Year 2007

The Company revised its previously issued earnings guidance for the full year and stated that it expects to report net earnings per diluted share of between \$0.42 and \$0.47 for the fiscal year ending December 30, 2007. Projected results for the fourth quarter are based upon anticipated same-store sales declines of between one percent and three percent for O'Charley's, and anticipated same-store sales increases of between one percent and three percent for Ninety Nine. The Company's earnings guidance for the full year reflects expected charges and expenses relating to the sale of the commissary and other supply chain changes of \$0.30 per diluted share, expected impairment, pre-opening, and depreciation charges for the Company's re-branding initiatives of \$0.13 per diluted share, restaurant impairment charges of \$0.10 per diluted share, and severance and relocation charges of \$0.07 per diluted share. The Company's guidance for the balance of 2007 does not reflect any impact for additional charges or expenses arising from decisions the Company may make as part of its transition efforts, nor the impact of any additional share repurchases that the Company may make.

'While we have revised our full-year guidance to reflect the current challenges faced by the casual-dining industry, we remain focused on maximizing our operating performance in all areas of our business. With the uncertainties created by the environment we presently face, we will continue to execute our plan and to focus on the things we can control, including improving the overall guest experience in our restaurants, managing our margins, and instilling A Passion to Serve(TM) throughout our organization,' Burns concluded. 'We continue to believe we are on the right track, and that our initiatives will enhance long-term value for our shareholders and provide opportunity for our team members.'

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