

Denny's Same-store sales increased 1.3% at company units and 3.2% at franchised units for the Third Quarter 2007  
2007-11-01

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Denny's Corporation Reports Results for the Third Quarter 2007

Denny's Corporation (NASDAQ: DENN) today reported results for its third quarter ended September 26, 2007.

Third Quarter Summary

Same-store sales increased 1.3% at company units and 3.2% at franchised units

Adjusted income before taxes increased to \$5.8 million

The company expects to achieve full-year earnings at the upper end of original guidance range

Total debt reduced by \$26.6 million, \$45.2 million reduction year-to-date

22 company restaurants sold under Franchise Growth Initiative (FGI) to eight franchisees, 56 sold year-to-date

22 new franchise restaurant development commitments signed, 71 commitments year-to-date

Completed operational realignment expected to reduce costs by a net \$5.0-\$6.0 million per year

Launched a joint development program with Pilot Travel Centers

Nelson Marchioli, President and Chief Executive Officer, stated, 'Our third quarter results reflect further progress on our strategic initiatives and a proactive approach to managing our business in a difficult environment. We delivered positive same-store sales on top of strong comparable sales in the prior year, and we achieved adjusted income growth even as we significantly decreased the number of company restaurants through our Franchise Growth Initiative. Our development programs are building momentum with 56 restaurants sold to franchisees and franchisee commitments for 71 new restaurants. Our increasing cash flow from operations, along with the proceeds from asset sales, has strengthened our balance sheet as we have reduced our debt by more than \$45 million this year. While we expect the current pressures facing our industry on both sales and costs will persist in the near term, we are confident that as we execute on our strategic initiatives we will continue driving long-term shareholder value.'

Third Quarter Results

For the third quarter of 2007, Denny's reported total operating revenue, including company restaurant sales and franchise revenue, of \$241.4 million compared with \$258.2 million in the prior year quarter. The company restaurant sales component of total revenue decreased \$17.9 million due primarily to a significant reduction in company restaurants from the prior year period. Same-store sales growth of 1.3% at company restaurants partially offset the impact of fewer restaurants. During the third quarter, Denny's opened two new company restaurants and sold 22 to franchisee operators. The sale of 56 company restaurants this year under the Franchise Growth Initiative combined with the closure of underperforming restaurants in the prior year resulted in 51 fewer equivalent units in this year's third quarter.

Franchise revenue increased \$1.1 million to \$24.6 million as a result of a \$1.9 million increase in royalties and initial fees, partially offset by a \$0.8 million decrease in occupancy revenue. The increase in royalties and fees resulted from a 3.2% increase in franchised same-store sales combined with additional upfront fees generated on the sale of company restaurants to franchisees. The decrease in franchise occupancy revenue is due primarily to the sale of real estate previously leased to franchisees. A \$0.1 million increase in franchise costs partially offset the \$1.1 million increase in franchise revenue resulting in \$1.0 million increase in franchise operating margin in the third quarter.

Company restaurant operating margin (as a percentage of company restaurant sales) for the third quarter was 11.9%, a decrease of 1.9 percentage points compared with the same period last year. Product costs for the third quarter increased 0.2 percentage points to 25.6% of sales due primarily to increasing commodity costs. Payroll and benefit costs were flat with the prior year period at 40.7% of sales. Occupancy costs increased 0.6 percentage points due primarily to additional general liability expense. Legal settlement expense of \$1.6 million in the third quarter was \$2.4 million, or 1.0 percentage points, higher than the prior year benefit of \$0.8 million. Excluding the increase in general liability expense and legal settlement expense, company restaurant operating margin decreased 0.4 percentage points.

General and administrative expenses for the third quarter decreased \$0.4 million from the same period last year due primarily to \$1.0 million reduction in share-based compensation partially offset by a \$0.6 million increase in core G&A expenses.

Depreciation and amortization expense for the third quarter decreased by \$1.7 million compared with the prior year period due primarily to the sale of real estate assets over the past year. Operating gains, losses and other charges, net, which reflect restructuring charges, exit costs, impairment charges and gains or losses on the sale of assets, decreased \$36.0 million in the quarter due primarily to \$39.0 million in gains on the sale of real estate during the prior year quarter. Restructuring charges and exit costs in the third quarter totaled \$3.7 million, an increase of \$2.2 million over the prior year, attributable to severance and other expenses associated with the Company's strategic realignment during the third quarter.

Operating income for the third quarter decreased \$39.3 million to \$16.3 million due primarily to the operating gains in the prior year period. Excluding this item in both periods, operating income for the third quarter decreased \$3.3 million on \$16.8 million less in revenue.

Interest expense for the third quarter decreased \$4.5 million, or approximately 30%, to \$10.5 million due primarily to reduced debt balances and improved borrowing costs.

Net income for the third quarter was \$5.3 million, or \$0.05 per diluted common share, a decrease of \$20.2 million compared with prior year net income of \$25.5 million, or \$0.26 per diluted common share. Adjusted income before taxes for the third quarter was \$5.8 million, an increase of \$0.2 million compared with prior year income of \$5.6 million. This measure, which is used as an internal profitability metric, excludes restructuring charges, exit costs, impairment charges, asset sale gains, share-based compensation, other nonoperating expenses and income taxes.

#### Franchise Growth Initiative (FGI)

Denny's has made considerable progress on its strategic initiative to increase franchise restaurant development through the sale of certain geographic clusters of company restaurants. During the third quarter, the company sold 22 restaurant operations and certain related real estate to eight franchisees for net proceeds of \$8.7 million. This brings the total number of company restaurants sold year-to-date to 56 and the total net proceeds to \$30.6 million.

Fulfilling the unit growth expectations of this program, the franchisees that purchased company restaurants during the quarter signed development agreements to build an additional 9 new franchise restaurants. This brings the year-to-date total for restaurant development agreements attributable to FGI to 35 restaurants.

In addition to franchise development agreements signed under FGI, Denny's has been negotiating development agreements for areas not covered by the FGI program under its Market Growth Incentive Plan (MGIP). In the third quarter, franchisees signed MGIP agreements to build an additional 13 franchise restaurants. This brings the year-to-date total for MGIP development agreements to 36 restaurants.

The company also divested one other real estate asset during the third quarter for net proceeds of \$0.4 million, bringing the year-to-date total for other real estate proceeds to \$5.4 million.

During the third quarter, net cash proceeds from asset sales along with cash flow from operations were used to reduce outstanding debt by \$26.6 million. Year-to-date, total outstanding debt has been reduced by \$45.2 million, or approximately 10.0%.

#### Business Outlook

The company has updated its previously issued full-year earnings guidance for 2007 based on year-to-date results and the successful execution of FGI. The company now expects to achieve \$8 to \$10 million of adjusted income before taxes which is at the upper end of the original guidance range of \$0 to \$10 million. This financial and operating guidance for 2007 is based on management expectations at this time.

Company same-store sales 0% to 1%

Franchise same-store sales 1% to 2%

Company unit openings 6

Franchise unit openings 18

Units refranchised (FGI) 96 to 106

Company restaurant revenue \$840 to \$850 million

Franchise revenue \$93 to \$94 million

Interest expense, net \$43 to \$44 million

Adjusted income before taxes \$8 to \$10 million

Cash capital expenditures \$37 to \$39 million

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