

Red Robin Gourmet Burgers Reports Total revenues increased 27.0% for the Fiscal Third Quarter 2007

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

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 forty weeks ended October 7, 2007. The Company also updated its outlook for the full year 2007, reiterated its new restaurant opening plans, and disclosed its marketing contributions for the full year 2008.

Financial and Operational Highlights

Highlights for the twelve weeks ended October 7, 2007, compared to the twelve weeks ended October 1, 2006, are as follows:

Total revenues increased 27.0% to \$188.7 million

Restaurant revenue increased 27.5% to \$185.2 million

Company-owned comparable restaurant sales increased 4.8%

Restaurant-level operating profit was 20.3% or \$37.7 million

GAAP diluted earnings per share were \$0.49, which included a charge of \$0.01 per diluted share after tax for reacquired franchise costs associated with one acquired franchised location in California, and \$0.07 per diluted share in stock compensation expense vs. GAAP diluted earnings per share of \$0.36 last year, which included \$0.06 per diluted share after tax for reacquired franchise costs associated with the acquisition of franchise restaurants in Washington, and \$0.05 per diluted share in stock compensation expense

A total of 7 new Red Robin(R) restaurants, 5 company-owned and 2 franchised locations were opened during the twelve-week period.

Highlights for the forty weeks ended October 7, 2007, compared to the forty weeks ended October 1, 2006, are as follows:

Total revenues increased 27.4% to \$579.6 million

Restaurant revenue increased 28.0% to \$567.2 million

Company-owned comparable restaurant sales increased 2.3%

Restaurant-level operating profit was 20.2% or \$114.3 million

GAAP diluted earnings per share were \$1.22, which included a charge of \$0.08 per diluted share after tax for reacquired franchise costs, a \$0.01 charge per diluted share after tax for acquisition related integration expenses, \$0.07 per diluted share in after tax legal settlement expense, and \$0.22 per diluted share in stock compensation expense vs. GAAP diluted earnings per share of \$1.23 last year, which included \$0.06 per diluted share after tax for reacquired franchise costs, and \$0.18 per diluted share in stock compensation expense

A total of 36 new Red Robin restaurants, 23 company-owned and 13 franchised locations were opened during the forty week period

As of the end of the fiscal third quarter of 2007, there were 246 company-owned and 134 franchised Red Robin restaurants.

'During the third quarter, both our comparable restaurant sales and traffic trends reached their highest levels in more than 18 months, which we believe is impressive considering the current state of the casual dining industry. Our initial national television and internet media campaign has proven successful in raising awareness for our brand and driving restaurant sales across the entire system, and particularly in locations where we do not have a long operating history. In addition, our newer restaurants are benefiting from the initiatives we implemented earlier this year to ensure a great Red Robin experience,' said Dennis B. Mullen, chairman and chief executive officer.

Fiscal Third Quarter 2007 Results

Comparable restaurant sales increased 4.8% for company-owned restaurants in the fiscal third quarter of 2007, compared to the fiscal third quarter of 2006, driven by a 3.7% increase in the average guest check as well as a 1.1% increase in guest counts. Average weekly comparable sales for company-owned restaurants were \$64,909 for the 184 comparable restaurants in the fiscal third quarter of 2007, compared to \$62,767 for the 145 comparable restaurants in the fiscal third quarter of 2006. Average weekly sales for the 46 non-comparable company-owned restaurants were \$59,299 in the fiscal third quarter of 2007, compared to \$54,705 for the 43 non-comparable restaurants in the fiscal third quarter a year ago. Average weekly sales in the fiscal third quarter of 2007 for acquired restaurants in California were \$63,870.

Total Company revenues, which include company-owned restaurant sales and franchise royalties and fees, increased 27.0% to \$188.7 million in the fiscal third quarter of 2007, versus \$148.6 million last year. Franchise royalties and fees increased 6.6% to \$3.4 million in the fiscal third quarter of 2007, compared to \$3.2 million in the same period a year ago. Franchise royalties in the fiscal third quarter 2006 included \$0.4 million from royalties attributed to the acquired restaurants in California.

For the fiscal third quarter of 2007, the Company's U.S. franchise restaurant sales of \$78.0 million increased 3.6% compared to \$75.3 million in the prior year period. Comparable sales in the fiscal third quarter of 2007 for franchise restaurants in the U.S. and Canada increased 2.4% and 3.9% over the fiscal third quarter of 2006, respectively. Average weekly sales in the fiscal third quarter of 2007 for the Company's comparable franchise restaurants were \$57,295 in the U.S. versus \$55,916 for the same period the prior year, and C\$52,002 in Canada versus C\$49,111 in the same period last year. Canadian results are in Canadian dollars.

Restaurant-level operating profit margins at company-owned restaurants were 20.3% in the fiscal third quarter of 2007, compared to 20.8% in the fiscal third quarter of 2006. Fiscal third quarter 2007 restaurant-level operating profit margins were negatively impacted primarily by higher cost of sales, mostly non-chicken proteins, dairy and cheese, higher labor costs, as well as higher other costs, principally contributions to the national marketing fund. These were partially offset by lower occupancy costs.

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 \$14.8 million in the fiscal third quarter of 2007 and \$10.9 million in the fiscal third quarter of 2006, which were 7.8% and 7.3% of total revenue, respectively. Included in general and administrative expense in the third quarter of 2007 is approximately 0.6% of total revenue related to national advertising spending in the quarter.

Interest expense was \$2.5 million in the fiscal third quarter of 2007 and \$1.6 million in the fiscal third 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 third quarter of 2007 was \$8.2 million or \$0.49 per diluted share, as compared to net income of \$6.0 million, or \$0.36 per diluted share, in the fiscal third quarter of 2006. Net income for the fiscal third quarter of 2007 included \$0.2 million in pre-tax reacquired franchise costs, or \$0.01 per diluted share after tax, \$1.8 million in pre-tax stock compensation expense, or \$0.07 per diluted share after tax. Net income for the fiscal third quarter of 2006 included \$0.06 per diluted share after tax of reacquired franchise costs for the Washington acquisition, and \$1.3 million in pre-tax stock compensation expense, or \$0.05 per diluted share after tax.

Year to Date Results

Comparable restaurant sales increased 2.3% for company-owned restaurants in the forty weeks ended October 7, 2007, over the year ago comparable period, driven by a 3.1% increase in the average guest check, which was offset by a (0.8%) decrease in guest counts. Comparable sales in the forty week period for franchise restaurants in the U.S. were flat for the forty weeks, and franchise restaurants in Canada increased 4.0%, over the year ago comparable period.

Total Company revenues, which include company-owned restaurant sales and franchise royalties and fees, increased 27.4% to \$579.6 million for the forty weeks ended October 7, 2007, compared to \$455.0 million for the forty weeks ended October 1, 2006. Average weekly comparable sales for company-owned restaurants were \$64,459 for the 184 comparable restaurants in the first forty weeks of 2007, compared to \$64,542 for the 145 comparable restaurants in the first forty weeks a year ago. Average weekly non-comparable sales for 66 company-owned restaurants in the first forty weeks of 2007 were \$57,306, compared to \$56,673 for the 58 non-comparable restaurants in the first forty weeks a year ago. The Company's franchise royalties and fees increased 5.0% to \$12.3 million, compared to \$11.8 million in the comparable period a year ago. Franchise royalties in the forty weeks ended October 1, 2006 included \$2.3 million from royalties attributed to the acquired restaurants in Washington and California.

For the forty weeks ended October 7, 2007, Red Robin's franchise system reported a slight decrease in total U.S. franchise restaurant sales to \$279.5 million, compared to \$279.7 million in the forty weeks ended October 1, 2006. Average weekly sales for Red Robin's comparable franchise restaurants were \$57,448 in the U.S. versus \$59,417 for the comparable period last year, and C\$50,049 in Canada versus C\$46,710 for the comparable period last year. Canadian results are in Canadian dollars.

Restaurant-level operating profit margin was 20.2% for the first forty weeks of 2007, compared to 21.1% 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 \$47.8 million for the first forty weeks of 2007, compared to \$38.1 million for the same period of 2006, which were 8.2% and 8.4% of total revenue, respectively. Included in general and administrative expense in the first forty weeks of 2007 was 0.3% of total revenue related to national advertising expense.

Net income for the forty weeks ended October 7, 2007 was \$20.6 million or \$1.22 per diluted share, compared to net income of \$20.5 million or \$1.23 per diluted share in the prior year period. Net income for the first forty weeks of 2007 included a one-time charge of \$0.08 per diluted share after tax relating to reacquired franchise costs related to the California franchise acquisition, general and administrative expenses of \$0.01 per diluted share after tax related to the integration of the acquisition, legal settlement expenses of \$0.07 per diluted share after tax, and stock compensation expense of \$0.22 per diluted share, while net income for the first forty weeks of 2006 included a one-time charge of \$0.06 per diluted share after tax relating to reacquired franchise costs for the Washington franchise acquisition, and stock compensation expense of \$0.18 per diluted share.

Franchise Acquisition

On July 16, 2007, the Company acquired the assets of one of the remaining two existing franchised restaurants in California from Top Robin Ventures 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 in June 2007 under a management services agreement. The Company paid consideration for the existing restaurant of \$3.5 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 third quarter 2007, approximately \$2.2 million of this additional earn-out has been earned by the seller.

Outlook

For the fiscal fourth quarter of 2007, which is a twelve week quarter, the Company plans to open three company-owned units. Franchisees are expected to open one new franchised restaurant. Thirteen company-owned and three franchise restaurants are currently under construction. In fiscal 2007, the Company plans to open 26 new company-owned units, of which 23 are already open, while franchisees are expected to open 14 new restaurants, of which 13 are already open.

For the full year 2007, which is a 52-week fiscal period, the Company expects revenues of \$763 to \$767 million, including an expected comparable restaurant sales increase of approximately 2.5% to 3%. Net income is expected to be between \$1.70 and \$1.74 per diluted share on a GAAP basis which includes a \$0.08 per diluted share after tax charge related to reacquired franchise costs, a \$0.01 per diluted share after tax charge for acquisition related integration expenses, a \$0.07 per diluted share after tax 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 expenses. This compares to previous guidance of \$760 to \$770 million in revenues, and net income of between \$1.65 to \$1.76 per diluted share on a GAAP basis, inclusive of all after tax charges and stock compensation expenses.

As previously disclosed, 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. The contributions to the national advertising fund in 2008 will increase from 1% to 1.5% of revenue for all restaurants in the system.

For the full year 2008, the Company expects to open 30 to 33 new company-owned restaurants with franchisees opening 11 to 13 new franchised restaurants. Approximately 75% of all company-owned development will utilize the new lower cost prototype design.

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