

Ruby Tuesday, Inc. Reports Third Quarter Results

2008-04-02

Ruby Tuesday, Inc. today reported diluted earnings per share of \$0.23 on net income of \$11.7 million for the Company's third quarter of fiscal 2008, which ended on March 4, 2008.

This compares to diluted earnings per share of \$0.49 on net income of \$28.7 million for the third quarter of the prior year. The diluted earnings per share impact of costs associated with the Company's remodel initiative in the third quarter of fiscal 2008 was \$0.06.

Quarterly Highlights

Third quarter fiscal 2008 same-restaurant sales at Company-owned Ruby Tuesday restaurants decreased 12.7%, while same-restaurant sales at domestic franchise Ruby Tuesday restaurants decreased 12.0%, as compared to a decrease of 1.0% and an increase of 1.8% at Company-owned and domestic franchise Ruby Tuesday restaurants, respectively, in the third quarter of the prior year. The Company estimates the third quarter of fiscal 2008 was negatively impacted by approximately 0.6% and 0.8% at Company-owned and domestic franchise Ruby Tuesday restaurants, respectively, due to heavier winter weather than in the same period of the prior year.

Third quarter fiscal 2008 same-restaurant sales:

	<u>December</u>	<u>January</u>	<u>February</u>	<u>Third Quarter</u>
Company-Owned	-12.5%	-14.2%	-11.5%	-12.7%
Domestic Franchise	-12.7%	-13.4%	-9.8%	-12.0%

Other highlights for the 13-week third quarter:

Total revenue decreased 7.1% from the same period of the prior year.

The Company opened six new Ruby Tuesday restaurants while six were closed during the quarter.

Domestic and international franchisees opened two new Ruby Tuesday restaurants during the quarter and four were closed.

Sales at domestic and international franchise Ruby Tuesday restaurants (which is the basis for determining royalty fees included in franchise income on the Company's income statement) totaled \$100,256,000 and \$121,725,000 for the third quarter of fiscal 2008 and 2007, respectively. Fiscal 2008 sales at franchise restaurants were reduced due to the acquisitions of the Michigan and West Palm Beach franchisees subsequent to the second quarter of fiscal 2007.

Capital expenditures for new restaurants and routine capitalized improvements at existing restaurants were \$11.8 million for the quarter.

Capital expenditures related to the Company's remodel initiative were \$13.2 million for the quarter.

The Company had 51.7 million shares of common stock outstanding at the end of the quarter.

As noted in our press release dated March 5, 2008, we obtained a waiver of our existing debt covenants and are working with our lending group to amend our credit facilities to modify our debt covenants going forward. We have reached an agreement in principal with our lenders on the amended terms and are currently working on completing documentation of an amendment to our current credit facilities. Until those documents are completed, most of our long term debt is reflected as current in accordance with US GAAP.

Sandy Beall, Founder and CEO, commented, 'We are nearing the end of a very busy year for Ruby Tuesday. As of March 4, we have completed the reimage of 468 Company-owned restaurants and substantially completed the reimage of an additional 200 Company-owned restaurants. We have significantly improved and upgraded the Ruby Tuesday brand through our core strategies: uncompromising quality and freshness, gracious hospitality, compelling value, a fresh new look. In the last year, we remodeled substantially all of our Company-owned restaurants, bringing their look and feel to a level that compliments our food and service.

'It has been a very challenging year for consumers who have reduced spending in many areas, including eating at restaurants, and we have certainly felt the impact of that lower spending. However, through this time, we have continued to execute on our plan to differentiate Ruby Tuesday from our traditional bar and grill competitors while continuously monitoring our guest feedback to be sure our changes are resonating with them. Our guests tell us, now more than ever, that they like what we have done, will return again, and will recommend Ruby Tuesday to others. Our food, service, and value ratings continue to climb. We are very excited to be going into next year with all of our major initiatives behind us and without distractions from our system-wide operational strategies. Our teams are fully focused on showcasing the fresh, more relevant Ruby Tuesday brand for our guests and providing memorable experiences that will drive long-term shareholder value with increased frequency, new guest visits, and thus, improved sales.

'Our teams responded to the weak sales environment with increased focus on cost and profit controls, and even despite sales which were weaker than we anticipated due primarily to a lower than projected traffic, we were able to out-perform our third quarter earnings expectations and set the stage for future profits. With regard to the check, we were able to regain the majority of the drop that occurred in the second quarter and the variance compared to prior year improved each month. We believe the third quarter may be a turning point in profitability as we better manage both check and costs. Sales this quarter were impacted by both heavier winter weather and reduced advertising expenditures. We had ten weeks of no television advertising during the third quarter of the current year during the more volatile winter weather months. Our focus is firmly on sales, profitability, and cash flow as we move forward, and based on the significant improvement in all our qualitative measures, sales should inevitably follow. We truly believe we are in a better position than ever to drive sales, profits, cash flow, and long-term shareholder value.'

Fiscal 2008 Guidance

For fiscal 2008, the Company is targeting diluted earnings per share of \$0.40 to \$0.50 based on same-restaurant sales of down 9.0% to 10.0% at Company-owned restaurants. The estimate for fiscal 2008 diluted earnings per share includes projected expenses incurred in our remodel initiative of \$0.18 to \$0.20 per diluted share, of which approximately \$0.15 per diluted share is related to the accelerated depreciation of existing assets and \$0.03 to \$0.05 per diluted share is related to incremental depreciation on new assets net of the reduction from the related write-offs. Year-to-date through the Company's third fiscal quarter, approximately \$0.18 per diluted share has been expensed for the remodel initiative. Additional assumptions used to determine the targeted range include the following:

19 Company-owned Ruby Tuesday openings for the year,

15 to 20 franchise openings for the year,

\$60-\$65 million in capital expenditures for the year for new restaurants and routine capitalized improvements at existing restaurants, and

\$50-\$55 million in capital expenditures for the above-mentioned remodeling of Company restaurants during the fiscal year.

Ruby Tuesday, Inc. has Company-owned and/or franchise Ruby Tuesday brand restaurants in 45 states, the District of Columbia, Puerto Rico, Guam, and 11 foreign countries. As of March 4, 2008, the Company owned and operated 721 Ruby Tuesday restaurants, while domestic and international franchisees (including Hawaii) operated 169 and 52 restaurants, respectively.

Ruby Tuesday, Inc. is traded on the New York Stock Exchange (Symbol: RT).

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